



Alameda County Water District
Fremont, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended ~ June 30, 2019 and June 30, 2018

Alameda County Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018

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INTRODUCTORY SECTION



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October 15, 2019

To the Alameda County Water District Board of Directors and Customers:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Alameda County Water District (District) for the years ended June 30, 2019 and June 30, 2018.

We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position and the cash flows of the District, and that all disclosures necessary to enable the reader to gain the maximum understanding of the District’s financial position and activity have been included. Additionally, the financial section of the report includes a detailed discussion and analysis by management of the District’s financial performance for fiscal years ended June 30, 2019 and June 30, 2018. Responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the District.

The CAFR follows the financial reporting requirements established by the Governmental Accounting Standards Board of the United States.

THE REPORTING ENTITY

The District was established as a special district in 1913 by a vote of the people to ensure a continuous supply of high quality water within its service area. The District was the first agency formed under the State of California’s County Water District Act. Since its founding, the District has been a water conservation agency. It is responsible for managing the groundwater supply in the Niles Cone Groundwater Basin, which underlies southern Alameda County, including the Cities of Fremont, Newark, Union City and the southern portion of Hayward.

Since 1930, the District has also been a water distribution agency. From the purchase of a small water distribution system in Alvarado (now part of Union City), the District has expanded to serve almost all of the area covered by its conservation activities. The District provides, stores, treats, and distributes water for a population of approximately 356,000 people in southern Alameda County. The District covers approximately 105 square miles and, as of June 2019, provided water service through approximately 85,100 connections.

The District’s water production was approximately 41,400 acre-feet in FY 2018/19 and is expected to increase to 44,000 acre-feet by FY 2021/22, which assumes a 3% increase per fiscal year from FY 2018/19 production. This increase is expected as customer demands continue to increase following emergency drought conditions several years ago and due to new development. Water is typically provided to the District’s customers from four sources: 1) groundwater from the Niles Cone Groundwater Basin (including fresh groundwater from two wellfields and desalination of brackish groundwater); 2) surface water from the Del Valle Reservoir; 3) water imported from the State of California’s State Water Project; and 4) water imported from the San Francisco Regional Water System. The amount of water available from each of these sources is highly variable in any given year due to hydrologic conditions and other factors. Assuming abundant local precipitation and full deliveries of imported water supplies, these four sources may provide up to a maximum of approximately 90,000 acre-feet in any given year.



The District is governed by a five-member Board of Directors elected at-large from within the District's service area. The Board of Directors appoints the General Manager who is responsible for the administration of the District through its five departments - Office of the General Manager, Engineering & Technology Services, Finance, Operations & Maintenance, and Water Resources. The General Manager's Office organizes and directs District activities in accordance with the Board's policies. The District currently has an authorized staff of 233 full-time positions.

The Alameda County Water District Financing Authority, a joint powers authority in partnership with the Union Sanitary District, was formed on November 14, 2011 to facilitate the issuance of the 2012 and 2015 Water System Revenue Bonds to enable the District to accomplish a number of critical capital projects and refund prior debt issuances at lower rates. The Board of Directors of the Alameda County Water District Financing Authority is comprised of the Board of the Alameda County Water District and one Board Member from the Union Sanitary District.

Alameda County Water District Mission Statement

It is the mission of the District to provide a reliable supply of high quality water at a reasonable price to our customers. To fulfill this mission, the District will:

- Provide prompt, courteous and responsive customer service.
- Ensure that sound, responsible financial management practices are observed in the conduct of District business.
- Plan, design and operate facilities efficiently, effectively and safely, bearing in mind the District's responsibility to be a good neighbor and a good steward of the environment.
- Promote ethical behavior in the conduct of District affairs, and facilitate the public's involvement in the planning and development of District policy.
- Recruit and retain a qualified, productive workforce and maintain a workplace environment where diversity and excellence are valued and where creativity, teamwork, and open communication are actively encouraged.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Finance

Following six public financial workshops during 2018 and consideration of many alternatives, the District Board of Directors 1) adopted a two-year rate increase schedule for water rates (service charges and the per unit commodity charge) with a rate increase of 4 percent effective March 1, 2019 and a second 4 percent increase effective March 1, 2020, 2) adopted water shortage emergency stage rates to enhance the District's revenue stability during a water supply emergency, such as a drought, and 3) revised the District's development fees for new connections to the water system by introducing a 'buy-in' component to these fees to recognize the value of the water system new customers inherit when they connect to it. The net increase in development fees is phased-in over five years.

The increases to water rates funds 1) major capital projects, such as pipeline renewals and fish ladders, that address aging infrastructure, improve seismic reliability, and meet expanded environmental regulations and standards, 2) an advanced metering infrastructure system to provide customers better tools to track water use and make water-use choices as well as achieving long-term operational savings, and 3) negotiated wage increases of 1% in 2018 and 3% each year in 2019 and 2020, and responsibly addresses long-term pension and retiree health care obligations with a 15-year payoff schedule. District water rates are currently in the bottom third of 30 surveyed Bay Area water utilities.

The District also made adjustments to various other fees and charges based on actual District costs for the prior fiscal year. These fee revisions were also effective March 1, 2019. These fees include well construction permits, backflow inspection and testing fees, field service fees, and after hours connection charges.

The District's responsible financial management was recognized by Moody's Investors Service, who upgraded its rating of the District from Aa2 to Aa1 in April 2019. Primary factors considered by Moody's in making this decision included the District's healthy debt service coverage, robust liquidity, and diverse water supply with ample storage. This rating upgrade will help the District achieve significant savings on behalf of its customers the next time it issues debt. The District also has a AAA Standard & Poor's rating.

Procurement

The District maintained procurement best practices during FY 2018/19 including ongoing training and customer satisfaction surveys, and as a result the District earned the National Procurement Institute's Achievement of Excellence in Procurement Award for the third year in a row.

During the past year, revisions were made to the District's Procurement Policy to improve internal and external procurement processes. Changes were also made to increase the General Manager's authority; increase the formal bidding threshold; further define "single and sole" source procurements and identify "emergency" procurements and provide the General Manager authority to address the emergency. The revisions were adopted by the Board of Directors in November 2018.

In FY 2018/19, the District implemented Bonfire, an online system that allows the following functionalities: vendor/supplier registration, insurance and contract management, and bid submittal and evaluation. Use of Bonfire will improve internal processes and create efficiencies in bid submittals from our external customers.

Customer Service

The District continues to strive to improve and modernize its customer service practices by leveraging the use of technology. To further this objective, the District implemented a new electronic bill presentment and payment system on July 9, 2018. The new system provides a single, user friendly interface for customers to enroll in e-billing and make one-time or recurring payments. The new system further allows customers to pay by credit card without a fee. In addition to streamlining the customer experience, this change also simplifies customer payment reconciliation activities by consolidating multiple online billing and payment platforms into a single system. On September 26, 2018, the District began utilizing enhanced lockbox services. The new service expedites processing of mailed-in payments.

Like many water utilities, the District is facing several challenges, such as aging infrastructure, that continue to put upward pressure on water rates. Accordingly, in addition to maximizing productivity and efficiency, maintaining water service affordability for low income customers is a key concern for the District. The District implemented an innovative customer assistance program effective March 1, 2017 for low income customers called *Help On Tap* that initially provided a \$15 credit on the bi-monthly service charge. The bi-monthly service charge credit was increased to \$20 effective March 1, 2018 and to \$25 effective March 1, 2019. As of June 30, 2019, there were 918 customers enrolled in the program.

The District continues to offer a program to residential customers provided by Home Emergency Insurance Solutions (HEIS) for exterior water service line insurance. HEIS is responsible for all aspects of the program including marketing, billing, claims and conflict resolution. As of August 2019, there were 8,778 customers enrolled in the program and 1,310 repairs/replacements had been completed since the start of the program in 2012.

Labor Agreements

The District reached new labor contracts with both of its unions during FY 2018/19. The new agreement with the District's largest union, the Operating Engineers Local No. 3 AFL-CIO, expires March 31, 2021 and the new agreement with the ACWD Operators' Association expires June 30, 2021. Key economic provisions include 1) wage increases of 1% in 2018 and 3% each year in 2019 and 2020, 2) a longevity pay increase from 2.5% at 20 years to 4% at 20 years (with lesser amounts at 10 years and 15 years, respectively), 3) a health care flex dollar allowance freeze at 2017 levels for active employees for the duration of the contracts, and 4) implementation of a defined-contribution retiree health care benefit for employees hired on or after January 1, 2019. Similar adjustments were made to the compensation schedule for unrepresented employees. The District anticipates that these new agreements will help attract and retain qualified personnel while limiting growth and increasing certainty in employee compensation costs.

Water Supply

After record-setting wet conditions in FY 2016/2017, all of the District's supplies recovered to pre-drought levels. Although below average precipitation conditions were experienced during FY 2017/2018, the previous wet year, as well as continued relatively low water demand, resulted in water supplies remaining at very healthy levels. Precipitation conditions during FY 2018/2019 were above average, which provided full water supply availability for the year, allowed the District to maximize local water supply storage, and also enabled additional water storage in the District's Semitropic Water Bank in Kern County to increase future dry-year supplies.

Given the growing population in the District's service area, the uncertain decisions related to the Bay-Delta Water Quality Control Plan, and the potential impacts of climate change to the District's existing water supplies, the District is actively looking ahead and evaluating potential future water supply initiatives to maintain and improve water supply reliability. Ongoing studies in this area include: 1) implementation of a State Water Project Delta conveyance project; 2) expansion of regional surface water storage in Los Vaqueros Reservoir; and 3) implementation of a water reuse in partnership with Union Sanitary District and the San Francisco Public Utilities Commission.

Additionally, in 2014, the District along with seven other Bay Area water agencies began development of a Bay Area Regional Reliability Plan (BARR Plan) to evaluate how regionally focused water supply, water exchange, water treatment, and intertie projects can build drought resiliency for the Bay Area. The BARR Plan has identified projects that can provide water supply benefits to the region, and new projects that could leverage capacity in existing facilities. The coming year's activities include an exploration of "water markets", which aims to streamline the process of exchanging supplies within the region. Such a water market will potentially increase regional water supply reliability and generate revenue for agencies that have surpluses available for sale.

Water Treatment

The District operates three potable drinking water treatment plants: 1) Water Treatment Plant No. 2 - a surface water treatment plant, which receives water from the California Department of Water Resources via the South Bay Aqueduct, 2) Peralta-Tyson Blending Facility - a facility that blends purchased treated water from the San Francisco Public Utilities Commission with groundwater from local wellfields; and 3) Newark Desalination Facility - a brackish water desalination facility, which treats brackish water discharged as part of the District's Aquifer Reclamation Program. These multiple sources of supply and variety of water treatment processes provide reliability and operational flexibility. In FY 2018/19, the District replaced the decarbonator media material in both decarbonators, and the 1,764 reverse osmosis membrane elements at the Newark Desalination Facility with new material and membranes.

The District optimizes distribution system pumping and facility operations to take advantage of tiered power rate structures and to realize savings in electrical costs. In October 2017, the District received State approval to operate the Water Treatment Plant No. 2/Whitfield Reservoir complex in a gravity-flow mode, minimizing pumping and saving on electrical costs. These savings were fully recognized in FY 2018/19.

Drinking Water Quality

The District's State-certified water quality laboratory conducts approximately 43,000 water quality analyses for more than 180 substances annually. In fiscal years ended in 2018 and 2019, the District continued to meet or exceed all Federal and State drinking water quality and treatment regulations, including those for lead. The State Water Resources Control Board Division of Drinking Water (DDW) conducted a Sanitary Survey inspection, which is an in-depth assessment of all production facilities, wellfields, tanks, and reservoirs. The Sanitary Survey findings were received in 2019 and the District's water system was found to be in good condition, operated by conscientious staff, and capable of providing safe, potable water which meets all applicable primary and secondary drinking water standards.

FY 2017/18 was the first year of the District's Tailored Collaboration Study for optimizing manganese removal through biofiltration during cold weather conditions. This is a two-year study consisting of bench-scale and pilot-scale testing at the District's surface water treatment plant, and pilot-scale testing was completed in FY 2018/19.

The District actively monitors and maintains distribution system water quality by optimizing operations to reduce water age and pro-actively managing disinfectant levels at all storage facilities. This is partially accomplished by the District's Mains Cleaning Program, which removes accumulated sediment from approximately 200 miles of water mains and all end-of-main blow-offs annually. Additionally, each year one to two distribution system water storage facilities are inspected and cleaned.

The District is complying with multiple recent State legislative bills: Senate Bills 1398 and 427 and Assembly Bill 746. In accordance with Senate Bills 1398 and 427, the District completed an inventory of customer service lines to determine if any contained lead components. This Service Line Inventory was completed and information was submitted to DDW in May 2018 and the District has no known lead service lines. Per Assembly Bill 746, the District has completed its obligation to test for lead-in-water at any K-12 school, day care, or preschool on public sites within its service area. Similarly, the District is providing lead-in-water testing for K-12 public, private, and charter schools located within the District's service area that make a written request per the 2016 Permit Amendment issued by DDW.

Service Reliability

As previously mentioned, much of the District's water infrastructure is aging and susceptible to damage as a result of ground shaking and ground failure due to regional earthquakes. Accordingly, in 2013 the District embarked on a Main Renewal and Seismic Improvement Program (MRSIP), which 1) improves the overall seismic reliability of the District's distribution system by strategically making improvements in areas of potential seismic induced-earth movement; 2) improves fire flows in the older portions of the service area that are currently served by mains that do not meet current District standards; 3) reduces long term water system maintenance costs; and 4) improves the seismic reliability of its distribution storage and production facilities.

As part of the MRSIP, the District has completed over \$24 million in water main renewals, replacements and seismic upgrades in addition to other projects including distribution storage tank replacement, and seismic improvements. The District is currently finalizing the design for the renewal and seismic upgrade of the approximately 3.5 mile Alvarado-Niles transmission pipeline, or "Spine Main," to improve water transmission reliability and earthquake resiliency.

Additionally, the District is completing the design work for upgrade of a 1.5 mile pipeline on Driscoll Road. The planning and design work for the upgrade of a 3.5 mile portion of the water distribution system in Central Newark is currently underway to improve system hydraulics and service reliability in these areas. Finally, the District added a new element to the MRSIP in FY 2018/19 which focuses on proactively improving service reliability of smaller diameter aging water mains requiring an increased level of maintenance. This program will replace and upgrade approximately 34 water mains in nine areas of the water system containing these older, smaller water mains, thereby improving system hydraulics and service reliability.

The District continues its multi-year program of replacing and upgrading the control systems for its water production and distribution systems. Following the FY 2017/18 completion of projects to replace all of the Programmable Logic Controllers (PLCs) at Water Treatment Plant No. 2 and two critical distribution system pump stations, the District completed upgrade of the PLC equipment and programming for seven facilities in FY 2018/19, including the Whitfield Booster Stations (Zone 1A, Zone 1B, and Zone 2), Durham Takeoff, Warren Takeoff, Decoto Reservoir, and Vineyard Heights Tank.

Groundwater Resources

Local groundwater, on average, accounts for approximately 40% of the District's water supply. The District is identified in the Sustainable Groundwater Management Act (SGMA) as an agency created by statute to manage groundwater and deemed to be the exclusive local agency within its statutory boundaries with powers to comply with SGMA. On November 10, 2016, the District's Board of Directors adopted a resolution to become the Groundwater Sustainability Agency for the Niles Cone Subbasin. On July 17, 2019, the District received notice that the Department of Water Resources determined that the District's Alternative to a Groundwater Sustainability Plan satisfies the objectives of SGMA and was approved. To ensure the high quality of this important source of supply, the District maintains one of the most comprehensive groundwater protection programs in the State.

During the year ended June 30, 2019, the District accomplished the following groundwater management and protection initiatives:

- Adopted a 5.3% increase in the replenishment assessment rate for groundwater pumping for uses other than municipal and agricultural in order to generate sufficient revenue to cover expected groundwater basin-related costs.
- Issued a Survey Report on Groundwater Conditions – February 2019 and 2018 Groundwater Monitoring Report in support of the replenishment assessment rate increase.
- Issued the District's second annual report pursuant to requirements of SGMA on March 29, 2019.
- Closed ten cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Conducted 651 inspections of drilling operations to ensure compliance with the District's Ordinance "to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City."
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 21st year in a row.

Productivity and Efficiency

The District conducted an assessment of the Water Production Division operations (completed in April 2018) to reduce overtime hours, increase morale and improve succession planning. The District has begun to implement several of the recommendations of the study, including re-allocation of duties amongst job classifications and authorization of an operator trainee position. In FY 2018/19, operations staff began using electronic operating logs at all District water production facilities. Work on implementing the recommendations of this study will continue into the next fiscal year.

In FY 2016/17, the District conducted a comprehensive organizational assessment of its organizational structure and staffing levels. Since then, the District has been implementing many of the recommendations identified in the report. Building on these efforts, the District completed an employee engagement survey in 2018 with the goal of improving the District's overall performance by increasing employee engagement. Overall, 86 percent of District employees participated in the survey. The results of the survey were consistent with the local government sector benchmark. The District has since implemented a number of strategies and initiatives to increase engagement, including 360-degree performance evaluations for key management staff, expanded leadership and professionalism training and coaching, a telecommuting pilot program, a confidential whistleblower program, and consultant-facilitated workshops in select workgroups to identify and address issues that could negatively impact employee engagement. Additional strategies to be implemented in the future include an overhaul of the District's performance evaluation system and improving the District's change management processes. The District plans to issue another engagement survey in FY 2020/21 to evaluate progress in enhancing overall employee engagement.

The District has improved procurement efficiency and lowered costs by utilizing cooperative agreements for items such as chemicals, uniform rentals, vehicles, and office supplies. Cooperative agreements allow smaller agencies to leverage their combined purchasing power to achieve bulk pricing that is on par with larger agencies. This can result in significant savings for select goods. The list of agreements the District currently participates in includes, but is not limited to, the California Multiple Award Schedules, Bay Area Chemical Consortium, U.S. General Services Administration, Cooperative Purchasing Network, U.S. Communities, and the National Joint Powers Alliance.

The District continued with improvements and upgrades to its information technology programs and practices and updated its Information Technology Master Plan identifying several technology improvement projects over the next five years. The District's Information Technology Division received the Achievement in Information Technology Practices award for 2018 from the Municipal Information Systems Association of California for best practices that make efficient and effective use of technology resources in local government.

The District continued with enhancements and additions to SharePoint; the District's content management and collaboration platform. Several additional paper forms and related manual processes were replaced with electronic forms and workflows in SharePoint, which have resulted in operational efficiencies. The District is also continuing with implementation of a Records Management project with the goal of developing a comprehensive records management program with a records retention schedule that can be consistently applied across all District records both paper and electronic. The program objectives are to increase workflow efficiencies and access to documents and records while ensuring transparency and compliance with regulations. The program is also expected to reduce ongoing costs related to maintenance and expansion of electronic storage systems, disaster recovery systems and hard copy document infrastructure.

During FY 2018/19, the District completed the preliminary design, planning and analysis phase of an Advanced Metering Infrastructure (AMI) Project which will provide customers improved tools to track water use as well as increase the District's operational efficiencies. The AMI project is planned to be completed in three phases over five fiscal years. During FY 2018/19, procurement documents were developed including specifications and contracts and the project was prepared for bidding early in FY 2019/20. The scope of work will include: 1) replacement and/or upgrade of approximately 85,100 water meters as needed for compatibility with AMI; 2) implementation of a communications network (cellular and/or fixed network) for the transmittal of data between AMI-compatible water meters and the District's information technology infrastructure; 3) upgrading information technology systems, including a Meter Data Management System (MDMS) for the collection, storage, management, and utilization of AMI data; 4) integration of the AMI system with the District's existing customer information system; and 5) development of additional business enhancements that can be leveraged through AMI.

Public Awareness of Water Issues and Conservation

The District's public information and education programs aim to provide customers and the community with important information related to water supply, emergency preparedness, water quality, infrastructure projects, and the importance of conservation, along with other issues related to the District as a service provider. Specific District outreach and conservation actions included the following:

- The District launched a redesigned website with improved navigation, mobile responsiveness and Google Translate
- The District hosted an *Imagine a Day Without Water* event which included tours of its Newark Desalination Facility, information booths and kids' activities. Nearly 600 people attended the event.
- The District issued 13 news releases to Bay Area media outlets.
- The District continued to provide weekly information pieces on water awareness, quality and conservation, and topics related to emergency preparedness and the District's fish passage projects in a local Tri-City newspaper.
- The District hosted and attended several community meetings and events.
- The District hosted two community meetings regarding proposed rate increases.
- The District hosted several open house-style "community tent events" to provide information to the community and surrounding neighborhoods about upcoming capital construction projects.
- The District continued its annual publication of the Water Quality Report and three issues of *The Aqueduct*, the District's newsletter, which is mailed to District customers.
- Water conservation literature was distributed to all customers as requested.
- Water efficient landscape planning and conversion workshops and classes were held in partnership with other agencies.
- Numerous community events were attended to provide information about the District's conservation programs.
- The District continued to monitor water waste reports and sent notices to customers when it was determined that water waste was occurring.

The District's School Education Program provides local schools with educational resources that stress the various facets of water science and water management, with the objective of producing citizens capable of making informed decisions regarding state and local water resources. During the year ended June 30, 2019, the District continued its educational outreach within its service area by:

- Promoting Groundwater Awareness Week by giving a presentation to eight Advanced Placement Environmental Science classes at five local high schools.
- Distributing over 35,500 pieces of printed educational material to teachers and students.
- Sponsoring 62 performances of a water conservation theater program at 28 schools.

Water conservation extends water supplies, benefits the environment, continues to be the most cost-effective source of supply, and allows the District to "bank" water for dry years. To encourage customers to save water, the District continued the following water conservation programs during the year ended June 30, 2019:

- On-site indoor and outdoor water use efficiency surveys were offered to residential, business, and industrial customers.
- Rebates and incentives for replacing high volume/high flow fixtures and appliances with water efficient ones were offered to customers: clothes washers (for businesses), toilets, urinals, and irrigation controllers.
- Rebates for rain barrels and the replacement of turf grass with water efficient plants were offered to customers.
- Water conserving devices and measures (showerheads, faucet aerators, flappers, hose nozzle sprayers and leak detection tablets) were distributed to customers in the District's service area.

- Water saving tips and other conservation-related information were distributed to customers through the District's customer newsletter, the ACWD *Aqueduct*, other community newsletters (Tri-City Ecology newsletter), the District website, and through the District's new Tri-City Voice weekly ad space.
- Through the Designated Landscape Program, which provides landscape water use reports and on-site landscape surveys, District staff worked with large landscape accounts to improve irrigation efficiency. Participants that demonstrated water use efficiency were recognized.
- The District's newly renovated Water-Efficient Landscape Demonstration Garden promoted efficient landscape design and techniques to customers and the employee composting program continued.
- Leak detection through meter reader alerts was performed resulting in 995 customer notifications.

Immediately following Governor Brown's declaration that the drought had ended, the State released its final report on "Making Water Conservation a California Way of Life", a framework to continue to improve water use efficiency throughout the State. The framework was based on then Governor Brown's Executive Order B-37-16. The report recommends that new water use efficiency targets (or objectives) be established beyond the 2020 targets water agencies have been operating under since 2009. Legislation to establish the water use objectives (SB 606 and AB 1668) was signed by the Governor on May 31, 2018, and a primer to implement the legislation was released in November 2018. Most of the standards that the District's new water use objectives will be based on are still to be determined, and the District will monitor and participate in workgroups formed by the agencies that are making these determinations. In the future, the District's outreach efforts and conservation programs will be based on ensuring the District can meet these new requirements.

Environmental Stewardship

The District recognizes that water agencies must balance the needs of people and the environment in order to be sustainable. To ensure the reliability of the District's water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies, including the Alameda County Flood Control District, have worked for more than a decade to make the creek a more fish-friendly waterway. To date, several facilities have been constructed including the removal of one rubber dam and the installation of fish screens at multiple existing off-stream diversions. A major project to construct a fish ladder and replace critical dam components at the District's Rubber Dam No. 3 was completed during FY 2018/19.

Major construction of the District's final fish ladder within Alameda Creek also commenced in FY 2018/19. This joint project between the District and the Alameda County Flood Control District is being constructed along with other projects to make improvements to rubber dam control systems as well as provide new screened diversions from Alameda Creek to prevent threatened Steelhead trout and other species from entering offstream groundwater recharge ponds. The District currently anticipates this work will be completed in 2022.

The District has aggressively pursued external grant funding for several programs and initiatives, including the environmental stewardship projects discussed above. To date, the District has secured nearly \$18 million in grant funds for these projects and continues to pursue other grants and external funding to minimize financial impacts while maximizing environmental benefits.

Commitment to Transparency

It is the District's goal to be transparent and operate prudently and ethically on behalf of its customers. On April 11, 2019, the District met all requirements to renew its Certificate of Transparency from the Special District Leadership Foundation in recognition of its outstanding efforts to promote transparency in its operations and governance to the public and other stakeholders. In order to receive this award, a special district must demonstrate the completion of eight essential governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

The District has also been recognized by the California Special District's Association as a Platinum Level District of Distinction. In addition to meeting the Certificate of Transparency standards, recognition as a District of Distinction requires: 1) successful completion of regular financial audits with no major findings and implementation of any recommendations; 2) maintaining a policies and procedures manual; and 3) having all directors and executive staff complete ethics, harassment prevention, and special district governance training.

The District video records all regular and special meetings of the Board including workshops. The recorded meetings are publicly accessible via the District website.

FINANCIAL INFORMATION

Local Economy

The local economy of the District's service area has been a reflection of nearby Silicon Valley and the greater Bay Area. Economic activity has been very strong. The Tri-City's diverse base supports a mix of large and small businesses and provides for greater economic stability and less volatility than more specialized economies. As of June 2019, unemployment rates fell for the cities of Fremont, Newark and Union City to 2.7%, 2.9%, and 3.1% respectively, which is lower than both the State (4.1%) and the United States (3.8%). Assessed property values within the District increased 7.2% in FY 2018/19 and are anticipated to increase another 7.0% in FY 2019/20. The District's customer base is anticipated to grow in both size and income. Last calendar year, population grew 0.6% to 232,532 for the City of Fremont, 3.3% to 48,712 for the City of Newark, and 1.2% to 74,916 for the City of Union City. In fact, Newark is again one of the fastest growing cities in California. The most recent five year Census estimates (2013-2017) showed that median household income grew 4.9% to \$122,191 for the City of Fremont, 6.3% to \$96,817 for the City of Newark, and 7.1% to \$95,625 for the City of Union City compared to the prior five year estimates (2012-2016).

Robust development activity in the District's service area is anticipated to continue for the next few years. Fremont continues to grow rapidly, both with new residential developments, and improvements in existing commercial and industrial areas. In particular, the 850 acre Fremont Innovation District around the new Warm Springs BART station is undergoing significant transition with large-scale mixed-use developments, including commercial/employment, high-density residential and other public facilities. Located in this area is Tesla Motors, which continues to increase production and has expanded their portfolio of electric car models. Building programs in this area are projected to bring over 8,000 potential new jobs, 4,000 residential units, a new elementary school, and a new hotel to the area. As many as 20,000 new jobs are projected in this area. Another major initiative has been the development of a Fremont downtown area with an estimated build-out of 5.2 million square feet of new mixed-use buildings including the construction of 157 new residential units in the downtown State Street Center which is nearing completion. With the City and BART currently in the planning phase for the construction of the new Irvington BART Station, construction of high density residential development along Osgood Road, consistent with creating a pedestrian-friendly, transit-oriented neighborhood has begun with additional high density developments, anticipated to total approximately 440 residential units, planned to be constructed in the near future. In addition, the Pacific Commons area continues to be active and growing with new shops, restaurants, and commercial and industrial development. Residential development in and around the Centerville District has been very active as well, with several mixed-use developments in the planning stages.

In Union City, there are plans to develop a 200-acre Station District, which would include high-density housing, retail shopping, commercial business, open space, and a major intermodal transportation station near the existing Union City BART station. There are 1,700 new apartment units either constructed or planned and additional plans to add 1.2 million square feet of office space. Construction of 63 new residential units is nearing completion along Alvarado-Niles Road and plans to construct 33 new residential units near the Turk Island Landfill and a mixed-use development with 81 new residential rental units along Mission Boulevard are currently being developed.

Similarly, in Newark, there are plans to develop the general area around NewPark Mall that could eventually include 200,000 square feet of retail/commercial space, 500,000 square feet of office buildings, 1,519 residential units, and 700 hotel rooms. Additionally, a transit-oriented development, Bayside Newark, consisting of up to 2,500 residential units is currently under construction in Newark. Plans for the transit oriented development include a new train station and other amenities to serve both the greater region as well as neighboring residents. In addition, construction of 378 new residential units continues in Newark General Plan Area 3 and plans to construct 469 new residential units in Area 4 are currently being developed.

Rates and Charges

Water rates and charges are reviewed regularly and reflect the District's overall cost-of-service requirements. The District's water rates are in the lower third of the 30 Bay Area retail water purveyors surveyed.

The Board of Directors convened six public financial workshops starting in February 2018 to comprehensively review the District's financial plan, operating costs, capital plan, development fees, miscellaneous fees, sources of revenue, water rates, and water rate structures. As mentioned previously, at the conclusion of these workshops, the Board initiated a Proposition 218 process and ultimately approved rate adjustments of 4 percent effective March 1, 2019 and a second 4 percent increase effective March 1, 2020. The District also approved water shortage emergency stage rates to improve revenue stability during a water shortage emergency, such as a drought, and revised its fees for new connections to the water system to include a 'buy-in' component to reflect the value of the system new customers inherit.

Internal Control

The District's financial reporting system and business processes have been designed with an emphasis on the importance of strong internal financial controls, including the proper recording of revenues and expenses and maintenance of budgetary control for the allocation of available resources. Existing internal controls are monitored and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use, and (2) the District's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

The District has a two-year budget cycle, and a detailed operating plan that identifies estimated costs in relation to estimated revenues over the budget period. The budget includes the projects, services and activities to be carried out during the two fiscal years and the estimated revenue available to finance these operating and capital costs. The District's operating and capital budgets are reviewed and approved by the Board of Directors. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained by monitoring budget activity on a monthly basis and adjusting activities, if needed, to ensure that the annual budgeted amounts are not exceeded. The District has also implemented a budget management platform that enables improved end-user reporting and analysis capabilities.

Long-Term Financial Planning

The District utilizes three main comprehensive long range integrated planning models: the Integrated Resources Plan (IRP); Capital Improvement Program (CIP); and the Financial Planning Model (FPM). The IRP process evaluates a wide range of water supply and water conservation options as well as land use projections in the District's service area to develop the District's long range water supply strategy necessary to meet projected demands. The CIP includes project schedules and estimated costs for production facilities and other projects identified in the IRP needed to support and maintain water supply and system reliability, public health and water quality, and environmental compliance over a 25-year planning horizon. The FPM includes short and long range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over a 25-year planning horizon. The District has implemented a financial planning cycle that typically includes:

- Overall review of the operating and capital plan in the first quarter of the calendar year;
- Budget development during late spring;
- Adoption of the operating and capital budgets in June;
- Rate design and review through the fall; and
- Rate adoption, if necessary, usually in the first quarter of the next calendar year.

OTHER INFORMATION

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the District's financial statements. The importance of such verification has been recognized by the federal and state governments, the District's bond holders and the general public. The District contracted with the accounting firm of The Pun Group LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. The firm's report has been included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 20th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

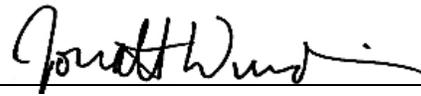
Acknowledgments

The preparation of this report has been accomplished due to the dedicated and professional efforts of the staff of the Finance Department along with the cooperation of staff from the District's other departments, and guidance from the accounting firm of The Pun Group LLP. We would also like to thank the Board of Directors for their continued support in planning and conducting the District's financial affairs in a responsible and progressive manner.

Respectfully submitted,



Robert Shaver
General Manager



Jonathan Wunderlich
Manager of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Alameda County Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Alameda County Water District

Board of Directors

James G. Gunther
President

Judy C. Huang
Vice President

Paul Sethy
Director

John H. Weed
Director

Aziz Akbari
Director

Principal Management Personnel

Robert Shaver
General Manager

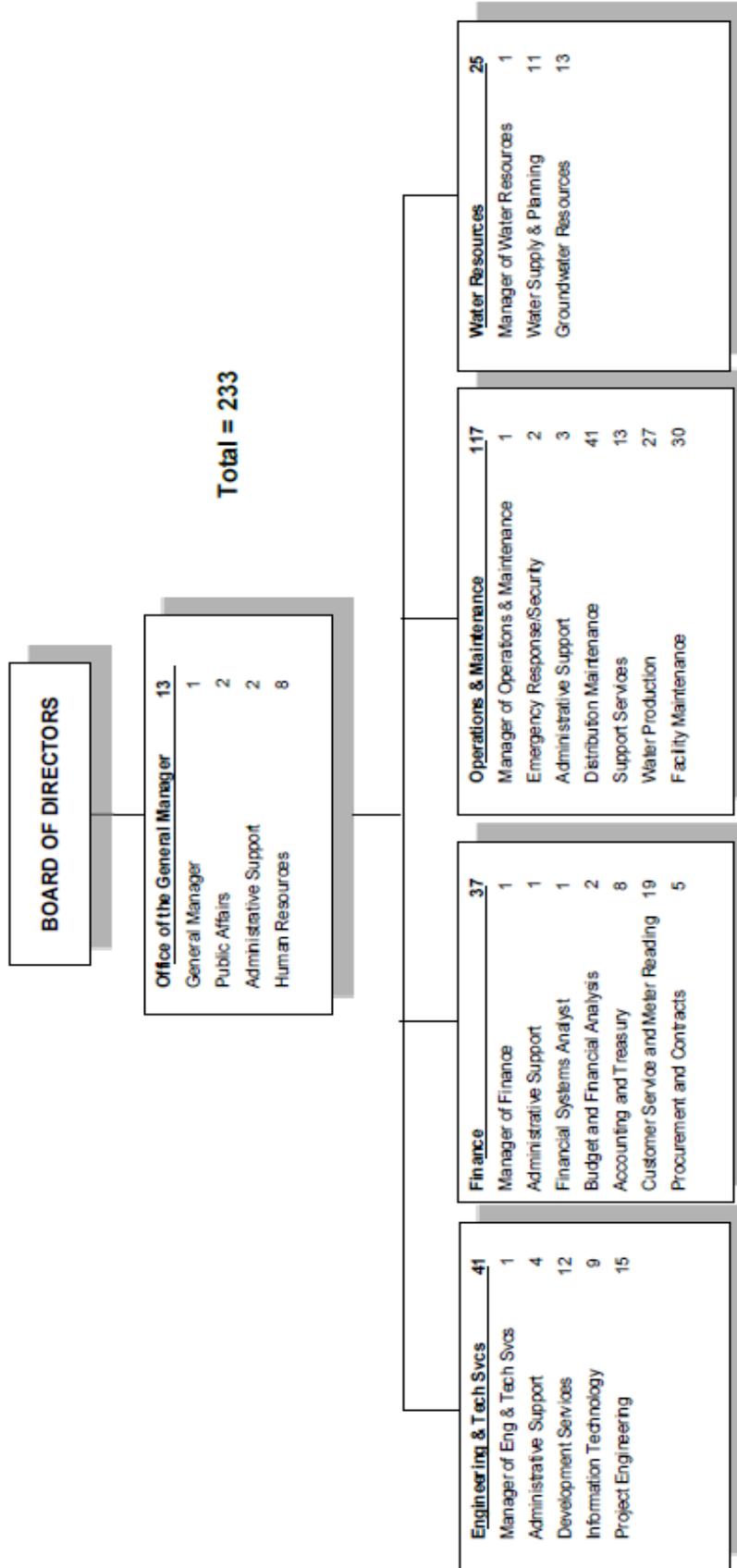
Jonathan Wunderlich
Manager of Finance

Laura Hidas
Manager of Water Resources

Kurt Arends
Manager of Operations & Maintenance

Ed Stevenson
Manager of Engineering & Technology Services

**ALAMEDA COUNTY WATER DISTRICT
FUNCTIONAL ORGANIZATIONAL CHART
FY 19/20**





INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Alameda County Water District
Fremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of Alameda County Water District ("District") as of and for the year ended June 30, 2019, and the related notes to the financial statements., which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2019, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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www.pungroup.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios, the schedules of employer pension contributions, the schedules of changes in net OPEB liability and related ratios – retiree health care, the schedules of employer OPEB contributions – retiree health care, the schedules of changes in the net OPEB liability and related ratios – MCP bonus program, and the schedules of employer OPEB contributions – MCP bonus contribution identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

2018 Financial Statements

The District's basic financial statements for the year ended June 30, 2018, were audited by other auditors whose report thereon dated October 19, 2018, expressed an unmodified opinion.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California
October 15, 2019

FINANCIAL SECTION

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Alameda County Water District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2019 and 2018

This section of the Alameda County Water District's (District) comprehensive annual financial report presents an analysis of the District's financial performance during the years ended June 30, 2019 and 2018. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2019

- The District's net position increased by \$46.6 million or 11.9 percent from \$392.5 million to \$439.1 million mainly due to the change in current assets of \$34.3 million and an increase in total revenue of \$10.8 million for the fiscal year ended June 30, 2019.
- Operating revenues increased by \$5.0 million or 4.3 percent from \$115.6 million to \$120.6 million primarily due to increases in water sales caused by the implementation of a 5% rate increase which became effective on March 1, 2018.
- Operating expenses decreased by \$0.3 million or 0.4 percent from \$97.8 million to \$97.5 million due to slight decreases in source of supply, water treatment, administrative and general expenses and depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The basic financial statements include notes, which explain in detail some of the information included in the financial statements.

BASIC FINANCIAL STATEMENTS

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues, expenses, and capital contributions for the fiscal years ended June 30, 2019 and 2018. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investing and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position (pages 11-12) and the Statements of Revenues, Expenses and Changes in Net Position (page 13) provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

A summary of the District's Statements of Net Position is presented below.

Table 1
Condensed Statements of Net Position
(In millions of dollars)

	2019	2018	2019 vs. 2018		2017	2018 vs. 2017	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 204.8	\$ 180.6	\$ 24.2	13.4%	\$ 151.9	\$ 28.7	18.9%
Capital assets	422.3	412.2	10.1	2.5%	406.7	5.5	1.4%
Total assets	627.1	592.8	34.3	5.8%	558.6	34.2	6.1%
Deferred outflows of resources	29.0	32.1	(3.1)	-9.7%	17.4	14.7	84.5%
Long-term debt	76.6	80.4	(3.8)	-4.7%	84.0	(3.6)	-4.3%
Net pension liability	74.5	87.3	(12.8)	-14.7%	79.3	8.0	10.1%
Net OPEB liability	29.3	32.9	(3.6)	-10.9%	-	32.9	n/a
Other liabilities	27.7	26.6	1.1	4.1%	16.9	9.7	57.4%
Total liabilities	208.1	227.2	(19.1)	-8.4%	180.2	47.0	26.1%
Deferred inflows of resources	8.9	5.2	3.7	71.2%	3.9	1.3	33.3%
Net investment in capital assets	346.9	333.3	13.6	4.1%	324.4	8.9	2.7%
Restricted for debt service	2.7	2.6	0.1	3.8%	2.6	-	0.0%
Unrestricted	89.5	56.6	32.9	58.1%	64.9	(8.3)	-12.8%
Total net position	\$ 439.1	\$ 392.5	\$ 46.6	11.9%	\$ 391.9	\$ 0.6	0.2%

As the above table indicates, total assets increased by \$34.3 million from \$592.8 million to \$627.1 million during the fiscal year ended June 30, 2019. This increase is due to a \$24.2 million increase in current assets due mainly to increases in cash and investments from operations and an increase of \$10.1 million in capital assets at the end of the fiscal year. For the fiscal year ended June 30, 2018, total assets increased by \$34.2 million from \$558.6 million to \$592.8 million. This increase is due to a \$28.7 million increase in current assets due mainly to increases in cash and investments from operations and an increase of \$5.5 million in capital assets at the end of the fiscal year.

Deferred outflows of resources is the amount of the unamortized deferred charge on debt refunding and the effect of pension and other post employment benefits (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to the unamortized deferred charge on refunding at June 30, 2019 and 2018 were \$1.2 million and \$1.5 million, respectively. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2019 and 2018 were \$22.2 million and \$24.0 million, respectively. The deferred outflows of resources due to OPEB (GASB Statement No. 75) at June 30, 2019 and 2018 were \$5.6 million and \$6.6 million, respectively.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

For the fiscal year ended June 30, 2019, total liabilities reflect a decrease of \$19.1 million due to several factors including decreases in net pension liabilities of \$12.8 million, net OPEB liabilities of \$3.6 million and scheduled debt service payments of \$3.8 million. The decrease was partially offset by an increase of \$1.1 million in other liabilities. For fiscal year ended June 30, 2018, total liabilities reflect an increase of \$47.0 million due to several factors including the implementation of GASB Statement 75 and net OPEB liability recognition of \$32.9 million, an increase in net pension liabilities of \$8.0 million, contractor and customer deposits of \$6.0 million and accounts payable and accrued expenses of \$4.4 million. The increase was partially offset by scheduled debt service payments of \$3.6 million and a decrease of \$1.2 million in other liabilities.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and the difference between expected and actual experiences in the CalPERS pension plan and the OPEB plan, which will be amortized as a component of pension and OPEB expense in future years. The deferred inflows of resources for June 30, 2019 and 2018 were \$8.9 million and \$5.2 million, respectively.

Total net position increased by \$46.6 million from \$392.5 million to \$439.1 million, mainly due a combination of increased income during the year due to increased water revenues and investment income and a decrease in total liabilities as a result additional payments made toward pension and OPEB liabilities and scheduled debt service payments at June 30, 2019. Total net position increased by \$0.6 million from \$391.9 million to \$392.5 million, mainly due to the combination of increased income during the year due to increased water revenues offset by the restatement of the of the beginning net position as a result of the implementation of GASB Statement No. 75 at June 30, 2018.

Table 2
Condensed Statements of Revenues, Expenses
and Changes in Net Position
(In millions of dollars)

	2019	2018	2019 vs. 2018		2017	2018 vs. 2017	
			\$ Change	% Change		\$ Change	% Change
Operating revenues							
Water sales	\$ 108.6	\$ 104.4	\$ 4.2	4.0%	\$ 86.2	\$ 18.2	21.1%
Other operating revenues	12.0	11.2	0.8	7.1%	12.6	(1.4)	-11.1%
Total operating revenues	120.6	115.6	5.0	4.3%	98.8	16.8	17.0%
Nonoperating revenues							
Property taxes	9.7	11.3	(1.6)	-14.2%	10.5	0.8	7.6%
Other nonoperating revenues	8.0	0.6	7.4	1233.3%	1.2	(0.6)	-50.0%
Total nonoperating revenues	17.7	11.9	5.8	48.7%	11.7	0.2	1.7%
TOTAL REVENUES	138.3	127.5	10.8	8.5%	110.5	17.0	15.4%
Depreciation and amortization expense	14.0	14.0	-	0.0%	14.5	(0.5)	-3.4%
Other operating expenses	83.5	83.8	(0.3)	-0.4%	77.8	6.0	7.7%
Nonoperating expenses	2.5	2.7	(0.2)	-7.4%	2.5	0.2	8.0%
TOTAL EXPENSES	100.0	100.5	(0.5)	-0.5%	94.8	5.7	6.0%
Income before capital contributions	38.3	27.0	11.3	41.9%	15.7	11.3	72.0%
Capital contributions	8.3	4.1	4.2	102.4%	4.1	-	0.0%
Changes in net position	46.6	31.1	15.5	49.8%	19.8	11.3	57.1%
Beginning net position, as restated	392.5	361.4	31.1	8.6%	372.1	(10.7)	-2.9%
Ending net position	\$ 439.1	\$ 392.5	\$ 46.6	11.9%	\$ 391.9	\$ 0.6	0.2%

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. As the information in Table 2 indicates, income before capital contributions of \$38.3 million and capital contributions of \$8.3 million resulted in an overall increase of \$46.6 million in net position for the fiscal year ended June 30, 2019.

In fiscal year ended June 30, 2018, income before capital contributions of \$27.0 million and capital contributions of \$4.1 million resulted in an overall increase of \$31.1 million in net position.

For fiscal year ended June 30, 2019, Table 2 indicates that the District's total revenues increased by \$10.8 million or 8.5 percent to \$138.3 million from \$127.5 million in the prior year. Operating revenues increased by \$5.0 million or 4.3 percent to \$120.6 million from \$115.6 million. This was due to a \$4.2 million increase in water sales as a result of the 5% rate increase, which became effective March 1, 2018. Nonoperating revenues increased by \$5.8 million or 48.7 percent, which was mainly due to an increase in other nonoperating revenue of \$7.4 million, which was offset by a decrease of \$1.6 million in property tax revenue.

Total expenses decreased by \$0.5 million or 0.5 percent partially due to a \$2.2 million decrease in administration and general costs which was offset by slight increases in source of supply, water treatment and administration of customer accounts costs.

For fiscal year ended June 30, 2018, Table 2 indicates that the District's total revenues increased by \$17.0 million or 15.4 percent to \$127.5 million from \$110.5 million in the prior year. Operating revenues increased increase in water sales as a result of the 20% rate increase, which became effective March 1, 2017.

Nonoperating revenues increased by \$0.2 million or 1.7 percent, which was mainly due to an increase in property tax revenue of \$0.8 million, which was offset by a decrease of \$0.6 million in other nonoperating revenue.

For fiscal year ended June 30, 2018, total expenses increased by \$5.7 million or 6.0 percent partially due to an increase of \$6.0 million in other operating expenses, which was a combination of slight increases in water treatment and administration and general costs.

CAPITAL ASSETS

As of June 30, 2019, the District's investment in capital assets totaled \$422.3 million, which is an increase of \$10.1 million or 2.5 percent over the capital asset balance of \$412.2 million at June 30, 2018. The increase in capital assets was primarily due to a net increase in capitalized assets in the amount of \$23.9 million less \$13.8 million net increase in accumulated depreciation.

As of June 30, 2018, the District's investment in capital assets totaled \$412.2 million, which is an increase of \$5.5 million or 1.4 percent over the capital asset balance of \$406.7 million at June 30, 2017. The increase in capital assets was primarily due to a net increase in capitalized assets in the amount of \$19.2 million less a net increase in accumulated depreciation of \$13.7 million.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018

CAPITAL ASSETS (Continued)

A comparison of the District's capital assets over the past three fiscal years is presented in Table 3.

Table 3
Capital Assets
(In millions of dollars)

	2019	2018	2019 vs. 2018		2017	2018 vs. 2017	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.6	\$ -	0.0%	\$ 9.6	\$ -	0.0%
Construction in progress	23.9	29.3	(5.4)	-18.4%	19.8	9.5	48.0%
Source of supply	81.6	68.4	13.2	19.3%	68.1	0.3	0.4%
Pumping plant	25.4	25.1	0.3	1.2%	25.0	0.1	0.4%
Water treatment	166.2	161.2	5.0	3.1%	160.7	0.5	0.3%
Transmission and distribution	347.9	337.3	10.6	3.1%	329.2	8.1	2.5%
General	52.9	52.7	0.2	0.4%	52.0	0.7	1.3%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.9	-	0.0%
Subtotal	728.4	704.5	23.9	3.4%	685.3	19.2	2.8%
Less accumulated depreciation/amortization	(306.1)	(292.3)	(13.8)	4.7%	(278.6)	(13.7)	4.9%
Capital assets, net	\$ 422.3	\$ 412.2	\$ 10.1	2.5%	\$ 406.7	\$ 5.5	1.4%

There were several capital projects completed during the fiscal year ended June 30, 2019. These include the Rubber Dam #3 Fish Ladder, Water Treatment Plant No. 2 Programmable Logic Controller Upgrade Phase 1, Main Relocation for San Francisco Public Utilities Commission (SFPUC), and various other capital projects related to water mains, and booster pumps. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2019. These projects include Rubber Dam #1 Fish Ladder, Water Treatment Plant No. 2 Programmable Logic Controller Replacement Phase 2, Alvarado-Niles Spine Main, Shinn Pond Fish Screen, Vallecitos Channel Betterments, and various other capital projects.

There were several capital projects completed during the fiscal year ended June 30, 2018. These include the Washington Blvd/I-680 Bridge Pipeline Improvement, Patterson Reservoir Remediation, and various other capital projects related to water mains, booster pumps and meter replacements. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2018. These projects include Water Treatment Plant No. 2 Programmable Logic Controller Upgrade, CMMS Software Implementation, Rubber Dam #1 Fish Ladder, Rubber Dam #3 Fish Ladder, Vallecitos Channel Betterments, Shinn Pond Fish Screen, Main Relocation for San Francisco Public Utilities Commission (SFPUC), Alvarado-Niles Spine Main, and various other capital projects related to water main and meter replacements.

At June 30, 2019, the District had construction commitments in the amount of \$48.6 million of which \$22.5 million were for the Rubber Dam #1 Fish Ladder project and \$11.0 million were for the Shinn Pond Screen project. Additional information on the District's capital assets and construction commitments is provided in Note 5 starting on page 31 of the financial statements.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018

LONG-TERM DEBT

As of June 30, 2019, the District had \$76.6 million in outstanding debt compared to \$80.4 million on June 30, 2018 and \$84.0 million on June 30, 2017. The decreases in fiscal years ended June 30, 2019 and 2018 were the results of scheduled debt service payments.

Additional information on the District's long-term debt is provided in Note 7 starting on page 34 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the District's two-year budget on June 13, 2019. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years ending June 30, 2020 and 2021.

The District's water rates are periodically reviewed by the Board of Directors and typically adjusted annually. The District's rates are in the lower third of thirty Bay Area water agencies surveyed. On February 9, 2019, the Board of Directors adopted a two-year rate increase of 4% per year effective March 1, 2019 and March 1, 2020 to both the bi-monthly service charge and per-unit consumption charge.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Alameda County Water District's Manager of Finance at 43885 South Grimmer Boulevard, Fremont, CA 94538.

BASIC FINANCIAL STATEMENTS

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Alameda County Water District
Statements of Net Position
Business-Type Activity - Enterprise Fund
June 30, 2019 and 2018
(In thousands)

	2019	2018
ASSETS		
Current assets:		
Cash and investments (Note 3)	\$ 174,044	\$ 151,056
Customer and other accounts receivable, net (Note 4)	11,889	11,070
Accrued unbilled revenue	10,787	10,357
Taxes receivable	565	899
Grants receivable	1,093	1,207
Interest receivable	940	616
Material and supplies	2,492	2,456
Prepaid expenses	79	66
Total unrestricted assets	201,889	177,727
Restricted investments (Note 3)	2,950	2,870
Total current assets	204,839	180,597
Noncurrent assets:		
Capital assets: (Note 5)		
Nondepreciable	33,592	38,915
Depreciable, net	388,704	373,281
Total capital assets, net	422,296	412,196
Total noncurrent assets	422,296	412,196
Total assets	627,135	592,793
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,181	1,488
Deferred items related to pensions (Note 10)	22,223	24,008
Deferred items related to OPEB (Notes 11 and 12)	5,640	6,617
Total deferred outflows of resources	29,044	32,113

(Continued)

Alameda County Water District
Statements of Net Position (Continued)
Business-Type Activity - Enterprise Fund
June 30, 2019 and 2018
(In thousands)

	2019	2018
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	8,770	10,012
Accrued payroll and related liabilities (Note 6)	3,803	3,717
Contractor and customer deposits	14,722	12,379
Interest payable	229	239
Long-term debt - due within one year (Note 7)	3,941	3,810
Total current liabilities	31,465	30,157
Noncurrent liabilities:		
Accrued payroll and related liabilities (Note 6)	139	275
Long-term debt - due in more than one year (Note 7)	72,659	76,600
Net pension liability (Note 10)	74,534	87,253
Net OPEB liability (Notes 11 and 12)	29,259	32,863
Total noncurrent liabilities	176,591	196,991
Total liabilities	208,056	227,148
DEFERRED INFLOWS OF RESOURCES		
Deferred items related to pensions (Note 10)	8,208	4,494
Deferred items related to OPEB (Notes 11 and 12)	779	745
Total deferred inflows of resources	8,987	5,239
NET POSITION		
Net investment in capital assets	346,877	333,274
Restricted for debt service	2,721	2,628
Unrestricted	89,538	56,617
Total net position	\$ 439,136	\$ 392,519

Alameda County Water District
Statements of Revenues, Expenses and Changes in Net Position
Business-Type Activity - Enterprise Fund
For the Fiscal Years Ended June 30, 2019 and 2018
(In thousands)

	2019	2018
OPERATING REVENUES:		
Water sales	\$ 108,576	\$ 104,447
Facilities connection charges	11,359	10,428
Fees and rental	585	584
Other	67	152
Total operating revenues	120,587	115,611
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	26,219	25,559
Pumping	1,600	1,266
Other	8,693	8,615
Total sources of supply	36,512	35,440
Water treatment	15,366	14,885
Transmission and distribution	16,427	16,223
Administration of customer accounts	1,895	1,454
Administration and general	13,276	15,817
Depreciation and amortization	14,060	13,950
Total operating expenses	97,536	97,769
Operating income	23,051	17,842
NONOPERATING REVENUES (EXPENSES):		
Investment income	7,367	179
Property taxes	9,746	11,289
Other nonoperating revenues	623	365
Other settlements	4	-
Gain on disposal of capital assets	33	48
Cost of issuance expense	(36)	(27)
Interest expense	(2,484)	(2,698)
Total nonoperating revenues (expenses)	15,253	9,156
Income before capital contributions	38,304	26,998
Capital contributions	8,313	4,089
Changes in net position	46,617	31,087
NET POSITION:		
Beginning of year, as previously reported	392,519	391,872
Restatement of beginning net position (Note 14)	-	(30,440)
Beginning of year, as restated	392,519	361,432
End of year	\$ 439,136	\$ 392,519

See accompanying Notes to the Basic Financial Statements.

Alameda County Water District
Statements of Cash Flows
Business-Type Activity - Enterprise Fund
For the Fiscal Years Ended June 30, 2019 and 2018
(In thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 121,681	\$ 118,932
Cash receipts from others	627	365
Cash payments to suppliers for goods and services	(39,578)	(36,133)
Cash payments for employees pension benefits	(8,052)	(7,752)
Cash payments for employees OPEB benefits	(4,364)	(6,617)
Cash payments to employees for salaries and other benefits	(43,838)	(34,590)
Net cash provided by operating activities	26,476	34,205
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	10,080	10,507
Net cash provided by noncapital financing activities	10,080	10,507
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(17,777)	(12,554)
Capital grants received restricted for capital purposes	3,594	-
Proceeds from sale of capital assets	58	54
Letter of credit issuance costs paid	(36)	(27)
Principal paid on debt	(3,505)	(3,380)
Interest paid on debt	(2,865)	(2,993)
Net cash used in capital and related financing activities	(20,531)	(18,900)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	43,928	50,701
Purchases of investments	(65,393)	(62,080)
Investment income received	3,119	3,563
Net cash used in investing activities	(18,346)	(7,816)
Net change in cash and cash equivalents	(2,321)	17,996
CASH AND CASH EQUIVALENTS:		
Beginning of year	37,240	19,244
End of year	<u>\$ 34,919</u>	<u>\$ 37,240</u>
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 174,044	\$ 151,056
Restricted investments	2,950	2,870
Less investments not meeting the definition of cash equivalents (Note 2B)	(142,075)	(116,686)
Total cash and cash equivalents	\$ 34,919	\$ 37,240

(Continued)

Alameda County Water District
Statements of Cash Flows (Continued)
Business-Type Activity - Enterprise Fund
For the Fiscal Years Ended June 30, 2019 and 2018
(In thousands)

	2019	2018
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 23,051	\$ 17,842
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	14,060	13,950
Other nonoperating revenues	627	365
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer and other accounts receivable	(819)	(1,510)
Accrued unbilled receivable	(430)	(688)
Materials and supplies	(36)	(158)
Prepaid expenses	(13)	58
Accounts payable and accrued expenses	(2,446)	1,640
Accrued payroll and related liabilities	(50)	161
Contractor and customer deposits	2,343	5,519
Net pension liability and related pension deferred outflows/inflows of resources	(7,220)	186
Net OPEB liability and related OPEB deferred outflows/inflows of resources	(2,591)	(3,160)
Net cash provided by operating activities	<u>\$ 26,476</u>	<u>\$ 34,205</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of premiums and loss on debt refunding	\$ 2	\$ 1
Capital contributions	4,833	2,882
Capitalized interest	373	286
Changes in capital related assets and liabilities:		
Grants receivable	(114)	1,207
Accounts payable and retention payable	1,200	3,744
NONCASH INVESTING ACTIVITIES:		
Change in fair value of investments	(3,924)	3,457

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Alameda County Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 1 – Description of the Reporting Entity

A. Description of Operations

The Alameda County Water District (the “District”) was organized under the California Water Act of 1913 and is governed by a five-person Board of Directors. Principal functions of the District include the importation, conservation, and distribution of water. District operations are conducted under the State Water Code of California.

B. Reporting Entity

The financial reporting entity consists of the District (the primary government) and its component unit, which is discussed below. A component unit is a legally separate organization for which the Board of Directors is financially accountable, or an organization whose nature and significant relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States (“U.S. GAAP”), these basic financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. A blended component unit, although a legally separate entity is, in substance, part of the District’s operations and data from this unit is combined with data of the District. The following entity is reported as a blended component unit:

- The Alameda County Water District Financing Authority (the “Authority”) is a joint powers authority with Union Sanitary District established in 2011 for the sole purpose of issuing debt for the benefit of the District. The 2012 and 2015 Water System Revenue Bonds were enabled by the formation of this entity.

Additional financial data and the debt compliance letter for the Authority may be obtained from the District office at 43885 South Grimmer Boulevard, Fremont, California, 94538.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation and Measurement Focus

The basic financial statements provide information about the District’s enterprise fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations were provided; revenues from property taxes are recognized in the fiscal year for which the taxes are levied and revenue from investments is recognized when earned, while expenses are recognized in the period in which the liability is incurred.

The accounts of the District are reported in a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, and capital contributions. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Cash and Investments

The District's cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturity of three months or less from the date of acquisition.

The District's highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Quoted market price is used as fair value for those securities for which market quotations are readily available.

Restricted investments, which consist of U.S. government securities designated for specific projects and required to be segregated pursuant to debt covenants, and restricted cash, which consists of money market accounts and CAMP funds, are presented as restricted cash and investments.

The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Refer to Note 3 for more information on the fair value measurements.

C. Accrued Unbilled Revenue

During the year, customer water meters are read and billed on monthly or bi-monthly periods. Because not every meter is read on the same date, revenue for water distributed but not yet billed is accrued at fiscal year-end since the earning process has been completed.

D. Materials and Supplies

Materials and supplies inventory consisted principally of spare parts that are recorded when purchased and expensed when used and is recorded at weighted average cost.

E. Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5 thousand and an estimated useful life of more than one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits and overhead. In 2019 and 2018, the District financed certain capital projects and interest in the amount of \$373 and \$286 was capitalized, respectively, in relation to these tax-exempt bond funded capital expenditures. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Structures, reservoirs, pumps and other improvements	5-50 years
Office furniture, tools, shop furniture, lab furniture and equipment	10 years
Motor vehicles	5 years

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Customer Deposits

Customer deposits for new customer installation jobs are retained by the District and are reported as a current liability. The customer deposit is applied to the cost of the job when the job is complete.

G. Long-Term Debt and Related Costs

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense, except prepaid bond insurance costs. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflows of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

H. Operating Revenues and Expenses

Operating revenues and expenses consisted of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consisted primarily of charges for services. Nonoperating revenues and expenses consisted of those revenues and expenses that are related to financing and investing type of activities and resulted from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

I. Property Tax Revenue

Assessed values are determined annually by the Alameda County Assessor (the County) as of January 1, and become a lien on real property as of the January 1. Taxes are due November 1, and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The District receives two different types of property tax revenue from the County.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. For the years ended June 30, 2019 and 2018, the District recognized \$6,130 and \$5,704 of this 1% property tax allocation levy.

The District also receives an override property tax amount that helps pay for the groundwater portion of both the fixed and variable costs of State water purchased by the District. The District projects such costs annually and requests that the County collect that amount, approximately \$4 to \$5 million. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year's State water purchase cost. For the years ended June 30, 2019 and 2018, the District recognized \$3,615 and \$5,585 of this State water property tax allocated amount.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which is the value at the time of the District's acquisition, and recorded as capital contributions when received. Customers also provide funds for capital projects to install and repair service lines to their premises. In addition, the District, at various times, receives federal and State grants and other funds from external sources for construction and/or rehabilitation of its facilities. These contributed assets and cash funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

K. Net Position

In the statements of net position, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt and deferred outflows of resources that is attributed to the acquisition, construction, or improvement of the assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted – This amount is all remaining amounts in net position that do not meet the definition of “net investment in capital assets” or “restricted net position”.

L. Pensions and OPEB

For purposes of measuring the net pension liability and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the District's Pension and OPEB Plans (Plans) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund Program (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

N. New GASB Pronouncements Adopted

During the fiscal year ended June 30, 2019, the District implemented the following accounting standards:

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB Statement No. 83), to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This statement did not have a significant impact to the District's financial statements.
- In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB Statement No. 88), to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The District included a disclosure under Note 7 related to the current unused line of credit with JP Morgan Chase Bank.

O. Upcoming New GASB Pronouncements

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for the District's fiscal year ending June 30, 2020.
- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for the District's fiscal year ending June 30, 2021.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Upcoming New GASB Pronouncements (Continued)

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the District’s fiscal year ending June 30, 2021.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement No. 90 is effective for the District’s fiscal year ending June 30, 2020.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the District’s fiscal year ending June 30, 2021.

Note 3 – Cash and Investments

The District maintains an internal cash and investment pool in a single enterprise fund. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as restricted investments. Restricted investments are the reserve funds required by the District’s debt issuance holders in order to secure the District’s obligation to pay the principal and interest due for one year and the unspent bond proceeds from the 2015 Water System Revenue Bonds restricted for capital projects.

A. Summary of Cash and Investments

	2019	2018
Unrestricted cash and bank deposits	\$ 12,722	\$ 15,032
Unrestricted investments	161,322	136,024
Unrestricted cash and investments	174,044	151,056
Restricted investments	2,950	2,870
Total	\$ 176,994	\$ 153,926

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

B. Authorized Investments

The District's investment policy is adopted by the District's Board, in accordance with California Government Code Section 53601. The latest investment policy, which was adopted in June 2019, is reviewed for changes annually by the Board. The investment policy has the following objectives (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification by issuer and type and maturity of securities will be made to avoid or minimize loss on individual securities.
- **Liquidity:** The portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements, which might be reasonably anticipated.
- **Yield:** The portfolio shall be designed with the objective of providing a market rate of return while conforming to the safety and liquidity criteria above.

Under provisions of the District's investment policy, the District may invest in the following types of investments:

- Certificates of deposit that are FDIC-insured or fully collateralized time certificates of deposit in a financial institution issued by federally chartered or state-chartered banks or associations.
- United States Treasury notes, bonds, bills or other obligations for which full faith and credit of the United States are pledged for payment of principal and interest.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Obligations issued by State of California or any agency within the State.
- Registered treasury notes or bonds of any of the other 49 United States in addition to California.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation on the date of purchase.
- Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or a federally licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated with one of the three highest ratings categories of a NRSRO.
- Medium-term notes issued by corporations organized and operating in the United States.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- The California Asset Management Program (CAMP).
- Shares of beneficial interest issued by diversified management companies that are money market fund registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

A five year maximum maturity for each investment is allowed. In addition, the investment policy requires that no more than 5% of the District's surplus funds may be deposited with or invested in securities issued by any one corporate, financial, or municipal issuer with the exception of the U.S. Treasury, federal agency institutions, and government sponsored enterprises.

In accordance with Section 53651 of the California Government Code, the District cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

C. Deposits

The carrying amount of the District's demand and time deposits balances were \$12,722 and \$15,032 and the bank balances were \$13,380 and \$16,078 at June 30, 2019 and 2018, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The District's bank balances (demand deposits and non-negotiable certificates of deposit) were insured by the Federal Deposit Insurance Corporation (FDIC) and if over the FDIC limit collateralized by the pledging financial institutions as required by California Government Code at June 30, 2019 and 2018.

The California Government Code requires California banks and savings and loans associations to secure the District's deposits not covered by federal depository insurance by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits or 150% of mortgage-backed collateral. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

D. Investments

The District's cash and investments are invested pursuant to investment policy guidelines established by the Board of Directors. The policy addresses the soundness of financial institutions in which the District deposits funds and the types of investments instruments as permitted by the California Government Code.

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code and is under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. The District's investments with LAIF at June 30, 2019 and 2018 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- **Structured Notes** are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities, the bulk of which are mortgage-backed securities**, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2019 and 2018, the District had unrestricted cash and investments of \$4,816 and \$6,181, respectively, invested in LAIF, which had invested 1.77% and 2.67% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of \$105.7 billion and \$88.8 billion in its investment portfolio as of June 30, 2019 and 2018, respectively. The District valued its investments in LAIF as of June 30, 2019 and 2018, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.001711790 and 0.998126869 as of June 30, 2019 and 2018, respectively.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

D. Investments (Continued)

As of June 30, 2019 and 2018, the District had unrestricted cash and investments in the CAMP pool of \$20,483 and \$20,048, respectively. The total amount invested by all public agencies in CAMP at June 30, 2019 and 2018 was \$5.4 billion and \$3.8 billion, respectively. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District’s position in the pool.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District does not have any of its investments using level 1 and 3 inputs.

The following is a summary of the fair value hierarchy of investments held by District as of June 30, 2019 and 2018:

Investments by Fair Value Level	June 30, 2019	Fair Value	June 30, 2018	Fair Value
		Measurements		Measurements
		Using		Using
		Significant		Significant
		Other		Other
		Observable		Observable
		Inputs		Inputs
		(Level 2)		(Level 2)
U.S. Government securities	\$ 86,242	\$ 86,242	\$ 59,908	\$ 59,908
U.S. Government agency obligations	10,130	10,130	10,949	10,949
Medium-term notes	30,819	30,819	24,335	24,335
Municipal bonds	655	655	1,070	1,070
Negotiable certificates of deposit	11,127	14,445	16,403	18,721
Total investments by fair value level	<u>138,973</u>	<u>\$ 142,291</u>	<u>112,665</u>	<u>\$ 114,983</u>
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	4,816		6,181	
California Asset Management Program	20,483		20,048	
Total investments not subject to fair value hierarchy	<u>25,299</u>		<u>26,229</u>	
Total investments measured at fair value	<u>\$ 164,272</u>		<u>\$ 138,894</u>	

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

E. Investment Risks

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2019 and 2018, the District’s investment pool had a weighted average maturity of 2.67 years and 2.55 years, respectively. The District invested \$12,367 and \$10,011 in callable notes, which was comprised of corporate medium-term notes, at June 30, 2019 and 2018, respectively. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

Credit Risk. Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. According to the District’s investment policy, no more than 25% of the total portfolio may be invested in commercial paper, no more than 30% of the total portfolio may be invested in medium-term corporate notes and no more than 40% of the total portfolio may be invested in bankers’ acceptances other than the U.S. Government, its agencies and instrumentalities and LAIF. If a security is downgraded by either Moody’s or S&P to a level below the minimum quality required by the District, the District will determine whether to retain or liquidate the security based upon criteria set forth in the District’s Investment Policy.

Concentration of Credit Risk. The District’s Investment Policy does not contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. Government are not subject to single issuer limitation. See Note 3F for the District’s concentration of credit risk details.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments, with the exception of the money market funds, LAIF and CAMP, are held by a third-party custodian in the District’s name, which is U.S. Bank.

F. Cash and Investments Composition

As of June 30, 2019, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value					
			Less than 1	1-2 years	2-3 years	3-4 years	4-5 years
Unrestricted investments:							
Negotiable certificates of deposit	A 1 to P-1/A+ to A-1	\$ 11,127	\$ 4,167	\$ 6,960	\$ -	\$ -	\$ -
Municipal bonds	Aa3 / AA-	655	-	655	-	-	-
U.S. Government agency obligations	Aaa / AA+	9,914	1	-	4,027	-	5,886
U.S. Treasury securities	Aaa / AA+	83,508	3,150	16,298	24,606	22,213	17,241
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	30,819	4,918	10,407	7,743	5,578	2,173
Local Agency Investment Fund	Not Rated	4,816	4,816	-	-	-	-
California Asset Management Program	Not Rated / AAAm	20,483	20,483	-	-	-	-
Total unrestricted investments		161,322	37,535	34,320	36,376	27,791	25,300
Restricted investments:							
U.S. Government agency obligations	Aaa / AAAm	216	216	-	-	-	-
U.S. Treasury note	Aaa / NA	2,734	2,734	-	-	-	-
Total restricted investments		2,950	2,950	-	-	-	-
Total investments		\$ 164,272	\$ 40,485	\$ 34,320	\$ 36,376	\$ 27,791	\$ 25,300

As of June 30, 2019, the District does not have investments in a single issuer that represent 5% or more of the District’s unrestricted and restricted investment portfolios.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

F. Cash and Investments Composition (Continued)

As of June 30, 2018, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			Less than 1	1-2 years	2-3 years	3-4 years	4-5 years
Unrestricted investments:							
Negotiable certificates of deposit	A1 to Aa2/A to A-1+	\$ 16,403	\$ 3,559	\$ 8,335	\$ 4,509	\$ -	\$ -
Municipal bonds	A1 to Aa3 / A to AA-	1,070	427	-	643	-	-
U.S. Government agency obligations	Aaa / AA+	10,770	2,353	4,518	-	3,899	-
U.S. Treasury securities	Aaa / AA+	57,217	1,293	9,812	14,914	19,957	11,241
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	24,335	1,456	7,366	10,175	5,338	-
Local Agency Investment Funds	Not Rated	6,181	6,181	-	-	-	-
California Asset Management Program	Not Rated / AAAm	20,048	20,048	-	-	-	-
Total unrestricted investments		136,024	35,317	30,031	30,241	29,194	11,241
Restricted investments:							
U.S. Government agency obligations	Aaa / AAAm	179	179	-	-	-	-
U.S. Treasury securities	Aaa / AA+	2,691	-	-	2,691	-	-
Total restricted investments		2,870	179	-	2,691	-	-
Total investments		\$ 138,894	\$ 35,496	\$ 30,031	\$ 32,932	\$ 29,194	\$ 11,241

As of June 30, 2018, the District did not have investments in a single issuer that represented 5% or more of the District's unrestricted and restricted investment portfolios.

Note 4 – Customer and Other Accounts Receivable

Customer and other accounts receivable were as follows:

	2019	2018
Utility service	\$ 6,365	\$ 7,623
Groundwater replenishment	10	12
Other	5,546	3,473
Allowance for doubtful accounts	(32)	(38)
Total customer and other accounts receivable, net	\$ 11,889	\$ 11,070

Other accounts receivable balance of \$5,546 and \$3,473 for June 30, 2019 and 2018, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 5 – Capital Assets

A. Summary of Capital Asset Activity

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	29,305	21,980	-	(27,303)	23,982
Capital assets, not being depreciated	<u>38,915</u>	<u>21,980</u>	<u>-</u>	<u>(27,303)</u>	<u>33,592</u>
Capital assets, being depreciated					
Source of supply	68,404	-	-	13,159	81,563
Pumping plant	25,130	-	-	223	25,353
Water treatment	161,192	-	-	4,961	166,153
Transmission and distribution	337,274	2,205	(70)	8,560	347,969
General	52,682	-	(172)	400	52,910
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	<u>665,542</u>	<u>2,205</u>	<u>(242)</u>	<u>27,303</u>	<u>694,808</u>
Less accumulated depreciation					
Source of supply	(43,479)	(1,171)	-	-	(44,650)
Pumping plant	(17,874)	(577)	-	-	(18,451)
Water treatment	(59,508)	(3,230)	-	-	(62,738)
Transmission and distribution	(134,367)	(6,428)	50	-	(140,745)
General	(27,598)	(2,020)	167	-	(29,451)
Supplemental water supply storage	(9,435)	(634)	-	-	(10,069)
Less accumulated depreciation	<u>(292,261)</u>	<u>(14,060)</u>	<u>217</u>	<u>-</u>	<u>(306,104)</u>
Capital assets, being depreciated, net	<u>373,281</u>	<u>(11,855)</u>	<u>(25)</u>	<u>27,303</u>	<u>388,704</u>
Total capital assets, net	<u>\$ 412,196</u>	<u>\$ 10,125</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ 422,296</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 5 – Capital Assets (Continued)

A. Summary of Capital Asset Activity (Continued)

The District had various active construction projects as of June 30, 2019 including the following:

Rubber Dam #1 Fish Ladder	\$ 6,601
Various Other Active Projects (individually less than \$300)	3,318
Customer Installation Jobs	2,345
Alvarado-Niles Spine Main	1,926
Distribution PLC Replacement - Phase 2	1,483
Shinn Pond Fish Screen	1,387
Vallecitos Channel Betterments	1,129
Newark Desal Reverse Osmosis	1,126
Rubber Dam No. 1 Replacement	906
Headquarter Building Renovations	707
CMMS Software Implementation	680
Kaiser Pond Diversion Pipeline Improvement	641
Canyon Heights Tank Improvements	442
Driscoll Road Pipeline Rehabilitation	438
Avalon Site Slope Stability Improvement	431
Central Newark Pipeline Improvements	422
Total	<u>\$ 23,982</u>

At June 30, 2019, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$48,606.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 5 – Capital Assets (Continued)

A. Summary of Capital Asset Activity (Continued)

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	19,793	18,744	-	(9,232)	29,305
Capital assets, not being depreciated	<u>29,403</u>	<u>18,744</u>	<u>-</u>	<u>(9,232)</u>	<u>38,915</u>
Capital assets, being depreciated					
Source of supply	68,050	-	-	354	68,404
Pumping plant	24,983	-	-	147	25,130
Water treatment	160,735	-	-	457	161,192
Transmission and distribution	329,208	725	(21)	7,362	337,274
General	52,005	-	(235)	912	52,682
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	<u>655,841</u>	<u>725</u>	<u>(256)</u>	<u>9,232</u>	<u>665,542</u>
Less accumulated depreciation					
Source of supply	(42,316)	(1,163)	-	-	(43,479)
Pumping plant	(17,283)	(591)	-	-	(17,874)
Water treatment	(56,316)	(3,192)	-	-	(59,508)
Transmission and distribution	(128,123)	(6,258)	14	-	(134,367)
General	(25,721)	(2,112)	235	-	(27,598)
Supplemental water supply storage	(8,801)	(634)	-	-	(9,435)
Less accumulated depreciation	<u>(278,560)</u>	<u>(13,950)</u>	<u>249</u>	<u>-</u>	<u>(292,261)</u>
Capital assets, being depreciated, net	<u>377,281</u>	<u>(13,225)</u>	<u>(7)</u>	<u>9,232</u>	<u>373,281</u>
Total capital assets, net	<u>\$ 406,684</u>	<u>\$ 5,519</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 412,196</u>

Depreciation and amortization expense for capital assets for the years ended June 30, 2019 and 2018 were \$14,060 and \$13,950, respectively.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 5 – Capital Assets (Continued)

B. Supplemental Water Supply Storage

In 1996 and in 2001, the District entered into two agreements for a water banking and exchange program with Semitropic Water Storage District and its Improvement District (Semitropic). The entities are used for storage, withdrawal, and exchange rights for the District's State Water Project supplies. Under the 1996 agreement (for 5% of the Semitropic program capacity), the District pays the capital component when storing and recovering water. Under the 2001 agreement (for an additional 10% of the program capacity), the District has paid for the capital costs through fixed annual payments. Payments used for the construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc., are capitalized and amortized over the life of the agreements.

The agreements terminate in November 2035. The historical costs of the District's water storage in the amount of \$20,860 as of June 30, 2019 and 2018 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$634 for the years ended June 30, 2019 and 2018.

The District has a storage allocation of 150,000 acre-feet and had approximately 141,793 and 141,261 acre-feet of water at June 30, 2019 and 2018, respectively.

C. Mission San Jose Water Treatment Plant

On July 30, 2015, the Board approved to temporarily decommission the Mission San Jose Water Treatment Plant (MSJ Plant). This temporary decommission is a result of the positive customer response for water conservation that reduced water demands and production needs. The District will continue to monitor the water demands and plans to re-open the MSJ Plant once the water demands increase to suitable levels.

Note 6 – Accounts Payable, Accrued Expenses and Accrued Payroll

Accounts payable and accrued expenses were as follows:

	2019	2018
Vendors	\$ 4,936	\$ 6,782
Retention payable	152	157
Installer's reimbursement	2,779	2,394
Other	903	679
Total	\$ 8,770	\$ 10,012

Installers' reimbursement funds are designated to reimburse certain developers for a portion of the cost as defined by the District, of oversized mains, main extensions, and storage tanks constructed or installed by them at the request of the District. The terms of the agreements provide that such costs are reimbursable over a period of up to ten years out of certain cash receipts collected from contractors subsequently connecting to those previously installed mains. Such receipts are deposited in a cash deposits account separately for transmittal to the developers. The amount of such receipts, which had not been remitted as of June 30, 2019 and 2018, were \$2,779 and \$2,394, respectively. In the event that the designated future cash receipts from contractors are not adequate to fully reimburse the developers for the eligible construction cost incurred by the end of the ten-year period, the District will have no future obligation to the developers. On May 1, 2019, the District discontinued the Facilities Reimbursement Charge which is the fee that funds the installer's reimbursement fund.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 6 – Accounts Payable, Accrued Expenses and Accrued Payroll (Continued)

Accrued payroll and related liabilities were as follows:

	2019	2018
Accrued payroll	\$ 1,109	\$ 1,114
Accrued vacation	1,736	1,919
Accrued leave and other	1,097	959
Total	3,942	3,992
Less current portion	(3,803)	(3,717)
Long-term portion	\$ 139	\$ 275

Accrued vacation activity is as follows:

	2019	2018
Balance, beginning of year	\$ 1,919	\$ 1,942
Additions	1,852	1,832
Reduction	(2,035)	(1,855)
Balance, end of year	\$ 1,736	\$ 1,919

Current portion of accrued vacation, leave and other is approximated by averaging the compensation balances paid out over the past three fiscal years.

Note 7 – Long Term Debt

Long-term debt activities for the fiscal year ended June 30, 2019 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$ 26,340	\$ 5,470	\$ -	\$ (2,690)	\$ 2,780	\$ 2,780	\$ -
Unamortized premium				237	-	(118)	119	119	-
2012 Water System Revenue Bonds	3.00 to 5.00	2041	45,240	43,675	-	(290)	43,385	300	43,085
Unamortized premium				2,215	-	(96)	2,119	96	2,023
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	26,375	-	(525)	25,850	555	25,295
Unamortized premium				2,438	-	(91)	2,347	91	2,256
Total Long-term Debt			\$ 99,390	\$ 80,410	\$ -	\$ (3,810)	\$ 76,600	\$ 3,941	\$ 72,659

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 7 – Long Term Debt (Continued)

Long-term debt activities for the fiscal year ended June 30, 2018 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$ 26,340	\$ 8,070	\$ -	\$ (2,600)	\$ 5,470	\$ 2,690	\$ 2,780
Unamortized premium				355	-	(118)	237	118	119
2012 Water System Revenue Bonds	3.00 to 5.00	2041	45,240	43,955	-	(280)	43,675	290	43,385
Unamortized premium				2,311	-	(96)	2,215	96	2,119
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	26,875	-	(500)	26,375	525	25,850
Unamortized premium				2,529	-	(91)	2,438	91	2,347
Total Long-term Debt			<u>\$ 99,390</u>	<u>\$ 84,095</u>	<u>\$ -</u>	<u>\$ (3,685)</u>	<u>\$ 80,410</u>	<u>\$ 3,810</u>	<u>\$ 76,600</u>

Water System Revenue Bonds

The Water System Revenue Bonds are issued primarily to finance the construction of capital improvements related to the District's water system. The bonds are payable solely from and secured by the revenues received from the operation of the District's water system. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year, which are least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement. The total principal and interest remaining to be paid on the bonds is \$105,285. Principal and interest paid for the year ended June 30, 2019 and total net revenues as defined in the bond indentures were \$6,371 and \$51,232, respectively. Principal and interest paid for the year ended, June 30, 2018 and total net revenues as defined in the bond indentures were \$6,373 and \$38,040 respectively.

The debt service requirements for the Water System Revenue Bonds at June 30, 2019 were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 3,635	\$ 2,743	\$ 6,378
2021	2,915	2,614	5,529
2022	3,010	2,469	5,479
2023	3,105	2,318	5,423
2024	3,220	2,162	5,382
2025-2029	16,320	8,890	25,210
2030-2034	12,335	6,512	18,847
2035-2039	14,815	4,111	18,926
2040-2044	11,095	1,388	12,483
2045	1,565	63	1,628
Total	<u>\$ 72,015</u>	<u>\$ 33,270</u>	<u>\$ 105,285</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 7 – Long Term Debt (Continued)

Letter of Credit

The District entered into a one-year, unsecured \$10.0 million revolving credit agreement with JP Morgan Chase Bank on December 27, 2017 for the purpose of borrowing funds when needed to respond to a declared emergency. The agreement was subsequently amended and renewed on December 26, 2018. With the first amendment, the commitment fee rate assessed against any unused portion of the line of credit increased from 0.10% to 0.25%. Any funds borrowed must be repaid by December 26, 2019 unless a later date is negotiated. Interest will be assessed on any funds borrowed under the line of credit at the London interbank offered rate (LIBOR) plus 0.55% for taxable loans and 85.1% of LIBOR plus 0.6685% for tax-exempt loans. The District did not borrow against the line of credit as of June 30, 2019 and 2018.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The District has evaluated each debt issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2019 and 2018.

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Special District Risk Management Authority Worker's Compensation and Property and Liability Insurance Programs for risk of loss. These programs provide worker's compensation, general liability, property, auto, boiler and machinery, employment practices liability, employee and public official's dishonesty coverage, employment benefits liability, cyber and excess liability, employee and public official errors and omissions and public official personal liability insurance coverage.

Prior to August 1, 2002, the District managed and financed some of these risks by purchasing commercial insurance for their worker's compensation and employer's liability. On August 1, 2002, the District joined the Special Districts Risk Management Authority (Authority). The Authority is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. The Authority's pool began covering claims of its members in 1982. The Board of Directors is composed of three members appointed by the Board of Directors of the California Special Districts Association and four members elected by the districts who are participating in the Authority.

The District did not have settled claims that exceeded the District's insurance coverage in any of the past three years.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 8 – Risk Management (Continued)

The District’s deductibles and maximum coverage as of June 30, 2019 are as follows:

Coverage Description	Deductibles	Coverage
General Liability	\$ 50	\$ 10,000
Automobile	50	10,000
Excess Liability	-	10,000
Property	50	1,000,000
Workers' Compensation	-	Statutory
Employee Dishonesty	-	1,000

Note 9 – Commitments

State of California - In 1961, the District entered into a contract with the State of California (the “State”) to purchase water through the year 2035. In February 2019, the District and the State amended the contract to extend the term of the contract to 2085. The District’s actual State Water Project water purchases for the fiscal years ended June 30, 2019 and 2018 were approximately 20,220 and 23,199 acre-feet, respectively. Since 2012, the maximum annual Table A Allocation has been 42,000 acre-feet. In any year when the Table A Allocation is in excess of the District’s needs, the State will attempt to sell such excess and credit the District or store the water for future use. The costs to the District for water purchased under this contract for the fiscal years ended June 30, 2019 and 2018 were approximately \$7,441 and \$7,253, respectively, and were charged to operations as incurred.

The District’s water is delivered through facilities constructed and operated by the State. The cost of the water is determined annually by the State and includes reimbursement to the State for the District’s portion of the costs of construction and operation of these facilities. The District’s commitment under the State water contract will remain in effect until 2036 or until the cost of the State’s facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$163,467 as of June 30, 2019.

Year Ending June 30,	State Water Purchase Commitment
2020	\$ 9,267
2021	9,888
2022	10,024
2023	9,945
2024	9,900
2025-2029	49,607
2030-2034	49,650
2035-2036	15,186
Total Water Purchase	<u>\$ 163,467</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 9 – Commitments (Continued)

City and County of San Francisco - The District entered into a water sales contract with the City and County of San Francisco in June 1984. That contract was renewed in July 2009 to purchase certain minimum amounts of water over a 25-year period and is administered by the San Francisco Public Utilities Commission (“SFPUC”). The costs to the District for water purchased under this contract for the fiscal years ended June 30, 2019 and 2018 were approximately \$16,918 and \$16,871, respectively, and were charged to operations as incurred. The District is obligated under the term of the agreement to make a minimum purchase of 8,567 acre-feet of water per year through 2034 at the then-current cost of water. In the event that the SFPUC is unable to supply sufficient water to all users, the available water will be ratably apportioned among contractors with the District liable only for actual water delivered. For the fiscal year ended June 30, 2018, SFPUC readjusted the District’s minimum purchase requirement from 6,716 acre-feet (reduced to help address the slow recovery of water demand due to the recent drought) back to the minimum purchase requirement, resulting in 8,598 and 8,897 acre-feet purchased for fiscal years ended June 30, 2019 and 2018, respectively. For the fiscal year ending June 30, 2020, the District expects to purchase 8,858 acre-feet (291 acre-feet above the required minimum of 8,567 acre-feet) at an estimated cost of \$17,897.

Bay Area Water Supply and Conservation Agency - The District belongs to the Bay Area Water Supply and Conservation Agency (“BAWSCA”), which represents the interests of 24 cities and water districts, and two private utilities that purchase water wholesale from the San Francisco regional water system. On January 31, 2013, BAWSCA issued bonds in the amount of \$335.8 million to raise the funds necessary to prepay capital commitments owed to the City and County of San Francisco by BAWSCA member agencies and thereby realizing a present value savings of approximately \$62.3 million for all member agencies. For the District, this translates into an annual net savings for purchased water cost of approximately \$197.

Prior to the bond issuance, there were \$356 million in capital cost recovery payments that were outstanding and being repaid as a part of the SFPUC’s wholesale commodity charge. The capital cost recovery payments were being repaid at a fixed interest rate of 5.13% and were part of the Wholesale Revenue Requirement to the Water Supply Agreement negotiated with SFPUC in 2009. The bonds refinanced this debt at an average interest rate of 3.14%.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies. SFPUC will collect the surcharge and send the amount to BAWSCA for payment to bond holders. The surcharge would be in place for the term of the bonds, which will end in 2034. The surcharge is on the SFPUC wholesale water bill and is accounted for by the District as water purchases expense.

BAWSCA’s annual debt service amount for the fiscal year ended June 30, 2019 is \$24,673. The annual surcharge for each agency will be based on the actual wholesale water purchase percentage from the last full year for which data is available with an annual reconciliation based on the actual water purchased. A true-up adjustment based on the actual fiscal year ended June 30, 2019 water use will be included in the fiscal year ending June 30, 2021 bond surcharge. The District’s fiscal year ended June 30, 2019 bond surcharge was \$1,126, which includes a true-up adjustment of \$204. The District’s estimated bond surcharge for fiscal year ending June 30, 2020 is \$1,710, which includes a true-up adjustment of \$190. Audited financial statements for BAWSCA may be obtained from BAWSCA at 155 Bovet Road Suite 650, San Mateo, California, 94402.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 9 – Commitments (Continued)

Delta Conveyance Finance Authority - On July 3, 2018, the District along with two other agencies formed the Delta Conveyance Finance Authority (“DCFA”). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a delta conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according water allocations. The District has a 1% share of State Water Project Table A allocations, but the District’s actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed executive order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 the California Department of Water Resources (“DWR”) withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor’s vision.

Note 10 – Pension Plans

A. General Information about the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the District’s Pension Plan, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the Pension Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov/.

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) agreement for employees in its Management, Confidential and Professional group that are CalPERS classic members. Under this agreement, the District pays 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as an additional contribution. For the fiscal years ended June 30, 2019 and 2018, the District’s EPMC was \$281 and \$298, respectively.

The State passed the California Employees’ Pension Reform Act (PEPRA), which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits then in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA. The employees normal contribution to CalPERS for PEPRA members is 7%.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic and new members with five years of total service are eligible to retire, with statutorily reduced benefits, at age 50 and 52, respectively. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for the plan is applied as specified by the Public Employees’ Retirement Law.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

The Plan's provisions and benefits in effect for the fiscal years ended June 30, 2019 and 2018 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years Service	5 Years Service
Benefit payments	Monthly for Life	Monthly for Life
Earliest retirement age	50	52
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates, June 30, 2018	30.581%	13.155%
Required employer contribution rates, June 30, 2019	33.849%	13.628%

At June 30, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees receiving benefits	248	240
Inactive employees entitled to but not yet receiving benefits	91	94
Active members	217	214
Total	556	548

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District was required to contribute for the fiscal years ended June 30, 2019 and 2018 at an actuarially determined rate of 33.849% and 30.581% for classic members, and at a rate of 13.628% and 13.155% for new members, of annual covered payroll for the District's employees, which amounted to \$8,053 and \$7,752, respectively.

B. Net Pension Liability

The District net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability as of June 30, 2019 and 2018 were measured as of June 30, 2018 and 2017 (measurement date), using an annual actuarial valuation of June 30, 2017 and 2016, respectively.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions:

	2019	2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Projected Salary Increase	Varies depending on Age, Service, and Type of Employment	Varies depending on Age, Service, and Type of Employment
	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Mortality*		

* The probabilities of mortality are based on the 2017 CalPERS Experience Study report based on demographic data from 1997 to 2015.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011 including updates to salary, increased mortality and retirement date. Further details of the experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is deemed not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund agent multiple-employer plan for the June 30, 2018 and 2017 measurement dates, respectively. The stress test results are presented in a detailed report named “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

According to GASB Statement No. 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.15 percent used for the June 30, 2018 and June 30, 2017 measurement date, respectively, is without a reduction for pension plan administrative expense.

CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management review cycle. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

B. Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of returns were calculated using the capital market assumptions applied to determine the discount rates and asset allocations.

The assumed asset allocation for the June 30, 2018 measurement date was as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

B. Net Pension Liability (Continued)

The assumed asset allocation for the June 30, 2017 measurement date was as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.50% used for this period

(b) An expected inflation of 3.00% used for this period

C. Changes in the Net Pension Liability

The following table shows the changes in the net pension liability for the fiscal year ended June 30, 2019:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2018	\$ 257,678	\$ 170,425	\$ 87,253
Changes in the year:			
Service cost	4,994	-	4,994
Interest on the total pension liability	17,594	-	17,594
Changes in assumptions	(8,036)	-	(8,036)
Differences between expected and actual experience	(263)	-	(263)
Contributions from the employer	-	10,882	(10,882)
Contributions from employees	-	2,142	(2,142)
Net investment income	-	14,754	(14,754)
Benefit payments, including refunds of employee contributions	(11,608)	(11,608)	-
Administrative expense	-	(266)	266
Other miscellaneous income/expense	-	(504)	504
Net changes	<u>2,681</u>	<u>15,400</u>	<u>(12,719)</u>
Balance at June 30, 2019	<u>\$ 260,359</u>	<u>\$ 185,825</u>	<u>\$ 74,534</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

C. Changes in the Net Pension Liability (Continued)

The following table shows the changes in the net pension liability for the year ended June 30, 2018:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2017	\$ 234,427	\$ 155,105	\$ 79,322
Changes in the year:			
Service cost	4,965	-	4,965
Interest on the total pension liability	17,393	-	17,393
Changes in assumptions	14,961	-	14,961
Differences between expected and actual experience	(3,129)	-	(3,129)
Plan to plan resource movement	-	-	-
Contributions from the employer	-	7,130	(7,130)
Contributions from employees	-	2,009	(2,009)
Net investment income	-	17,349	(17,349)
Benefit payments, including refunds of employee contributions	(10,939)	(10,939)	-
Administrative expense	-	(229)	229
Net changes	23,251	15,320	7,931
Balance at June 30, 2018	\$ 257,678	\$ 170,425	\$ 87,253

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Plan as of the June 30, 2018 and 2017 measurement dates, calculated using the discount rate of 7.15 percent as of June 30, 2018 and 2017 measurement dates, respectively. As well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the rate at the measurement date:

Net Pension Liability	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.15%	7.15%	8.15%
June 30, 2018 measurement date	\$ 110,495	\$ 74,534	\$ 44,925
June 30, 2017 measurement date	\$ 123,998	\$ 87,253	\$ 57,129

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial report.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal years ended June 30, 2019 and 2018, the District recognized a pension expense of \$7,708 and \$10,960 for the Plan, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,929	\$ -
Changes of assumptions	7,087	(6,027)
Differences between expected and actual experience	-	(2,181)
Net differences between projected and actual earnings on plan investments	207	-
Total	<u>\$ 22,223</u>	<u>\$ (8,208)</u>

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,774	\$ -
Changes of assumptions	11,024	(1,035)
Differences between expected and actual experience	-	(3,459)
Net differences between projected and actual earnings on plan investments	2,210	-
Total	<u>\$ 24,008</u>	<u>\$ (4,494)</u>

The \$14,929 and \$10,774 reported as deferred outflows of resources at June 30, 2019 and 2018, respectively, relates to contributions made subsequent to the measurement date. The District will recognize these amounts as a reduction of the net pension liability in the fiscal years ended June 30, 2020 and 2019, respectively. The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future pension expense as follows:

Measurement Periods Ending June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,611
2020	841
2021	(3,855)
2022	(511)
Total	<u>\$ (914)</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

E. Internal Revenue Code Section 401(a) Plan

Effective January 1, 1997, the District established and administered the Alameda County Water District 401(a) Plan (the “Plan”), a defined contribution plan. The Plan provides retirement benefits to District employees. The employees vest upon joining the Plan. The District has agreed to contribute to the employee’s accounts to match the employees’ Internal Revenue Code Section 457 contributions up to a specified amount.

The District contributed \$281 and \$61 in the fiscal years ended June 30, 2019 and 2018, respectively, as required under the District’s Management, Confidential and Professional (“MCP”) employee compensation schedule. Effective January 1, 2004, the District’s matching calendar year contribution to the 401(a) plan was discontinued in accordance with the Memorandum of Understanding (“MOU”) for United Public Employees Local 1021, AFL-CIO employees.

Note 11 – Other Postemployment Benefits – Retiree Health Care

A. General Information about the Other Postemployment Benefits Plan

Plan Descriptions - In addition to the pension benefits described in Note 10, the District provides health plan coverage for eligible retirees and their dependents pursuant to CalPERS Health Benefit Program eligibility requirements. In May 2012, the District entered into an agreement with CalPERS to participate in the California Employer’s Retiree Benefit Trust Fund Program (“CERBT”), an agent multiple-employer postemployment benefits plan, to prefund the District’s other postemployment benefits (“OPEB”). CalPERS and CERBT issue publicly available financial reports that can be obtained at <https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt> and at www.calpers.ca.gov/.

For employees hired before August 1, 2002, the District’s contribution for each retired employee and all eligible dependents and survivors shall be equal to the greater of the full cost of his/her enrollment, including the enrollment of his/her family members, in the highest cost HMO medical plan with a traditional network or PERS Choice Plan offered by the CalPERS Health Benefits Program in the Bay Area/Sacramento Region.

For employees hired on or after August 1, 2002, the percentage of employer contribution payable for postretirement health benefits for each retired employee shall be based on the employee’s completed years of credited service with the District and CalPERS as described below. The credited service for purposes of determining the percentage of employer contributions shall mean a minimum of ten years of service with a CalPERS participating agency, and a minimum of five years of the ten years of service must be performed exclusively for the District. The District contributes the minimum employer contribution (“MEC”) required amounts under the Public Employee’s Medical and Hospital Care Act Minimum Employer Contribution rules as determined by CalPERS on an annual basis.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

A. General Information about the Other Postemployment Benefits Plan (Continued)

Credited Years of Service	Percentage of Employer Contributions
1-9	MEC
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20+years	100

For employees hired on or after January 1, 2009, the District’s contribution for each retired employee and all eligible dependents and survivors shall be equal to the lesser of the full cost of his/her enrollment, including the enrollment of his/her family members, in the lowest cost HMO medical plan with a traditional network or PERS Choice Plan offered by the CalPERS Health Benefit Program in the Bay Area/Sacramento Region. The percentage of employer contribution payable for postemployment health benefits shall be based on the employee’s completed years of service exclusively with the District as described below.

Credited Years of Service	Percentage of Employer Contributions
0-9	MEC
10-14	25
15-19	50
20-24	75
25+years	100

On January 1, 2019, the District implemented a Defined Contribution Retiree Health Benefit Plan effective for all employees hired on or after January 1, 2019. The District will utilize a Retiree Health Savings Account (“RHSA”) to contribute up to 2 percent of \$120 annually into each eligible employee’s account. Employees are eligible to participate in the RHSA after completion of probation, which is generally six months after the date of hire, and through separation from the District. Employees are not required or allowed to contribute to the RHSA. As of June 30, 2019 and 2018, the District contributed \$0 to the RHSA.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

A. General Information about the Other Postemployment Benefits Plan (Continued)

Benefits Provided - The District provides dental benefits to employees who retired from District service and their eligible dependents at the same cost as for active employees. Benefits related costs are not shared with inactive employees. Union employees hired after April 1, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002, must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit. Benefit provisions under OPEB are established or may be amended by State statute and District resolution.

Union employees hired on or after January 1, 2009 shall not be eligible to participate in the District’s retiree dental plan upon their retirement from the District. MCP employees hired on or after April 1, 2009 shall not be eligible to participate in the District’s retiree dental plan upon their retirement from the District.

The District provides vision benefits to employees who retire from District service and their eligible dependents at the same cost as for active employees. Union employees hired after April 2, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002 must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit. All employees hired on or after April 1, 2009, shall not be eligible to participate in the District’s retiree vision plan upon retirement from the District.

The District provides health care benefits as described above for the surviving spouse and eligible dependents of a retiree so long as they meet the eligibility requirements. The District provides life insurance at a flat \$2 benefit for union retirees and a flat \$4 benefit for MCP retirees. All employees hired on or after April 1, 2009 shall not be eligible for retiree life insurance.

At June 30, 2019, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries receiving benefits	193	201
Inactive employees entitled to but not yet receiving benefits	4	5
Active members	195	217
Total	392	423

Contributions – The District makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). For the fiscal year ended June 30, 2019 and June 30, 2018, the District contributed \$5,139 and \$6,617, respectively. District employees are not required to contribute to the plan.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

B. Net OPEB Liability

The District's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2018 (measurement date), using an annual actuarial valuation as of June 30, 2017. A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

Actuarial Assumptions – The total OPEB liability was determined using the following actuarial assumptions:

	2019	2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.75%	2.75%
Medical trend	Non-Medicare: 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years	Non-Medicare: 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Investment Rate of Return	6.75% ¹	6.75% ¹
Mortality*	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

¹ Net of investment expenses

* The probabilities of mortality are based on the CalPERS Experience Study for the period from 1997 to 2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2017.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 and June 30, 2017 was 6.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

B. Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB plan investments was 6.75% for fiscal years ended June 30, 2019 and 2018. The asset class target allocation and geometric real rates of return for each major asset class as of June 30, 2018 measurement date are summarized in the following table.

Asset Class	Asset Class Target Allocation	Expected Real Rate of Return
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	<u>100.00%</u>	

The assumed asset allocation and geometric real rates of return for the June 30, 2017 measurement date were as follows:

Asset Class	Asset Class Target Allocation	Expected Real Rate of Return
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	<u>100.00%</u>	

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

C. Changes in the Net OPEB Liability

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2019.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 51,861	\$ 20,503	\$ 31,358
Changes in the year:			
Service cost	1,393	-	1,393
Interest on the total OPEB liability	3,506	-	3,506
Contributions from the employer	-	6,617	(6,617)
Net investment income	-	2,020	(2,020)
Benefit payments, including refunds of employee contributions	(2,633)	(2,633)	-
Administrative expense	-	(41)	41
Net changes	<u>2,266</u>	<u>5,963</u>	<u>(3,697)</u>
Balance at June 30, 2019	<u>\$ 54,127</u>	<u>\$ 26,466</u>	<u>\$ 27,661</u>

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 49,728	\$ 16,699	\$ 33,029
Changes in the year:			
Service cost	1,353	-	1,353
Interest on the total OPEB liability	3,361	-	3,361
Contributions from the employer	-	4,319	(4,319)
Net investment income	-	2,077	(2,077)
Benefit payments, including refunds of employee contributions	(2,581)	(2,581)	-
Administrative expense	-	(11)	11
Net changes	<u>2,133</u>	<u>3,804</u>	<u>(1,671)</u>
Balance at June 30, 2018	<u>\$ 51,861</u>	<u>\$ 20,503</u>	<u>\$ 31,358</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

C. Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District as of the measurement date, calculated using the discount rate of 6.75 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current discount rate:

Net OPEB Liability	Discount Rate - 1% 5.75%	Current Discount 6.75%	Discount Rate + 1% 7.75%
June 30, 2018 measurement date	\$ 34,591	\$ 27,661	\$ 21,915
June 30, 2017 measurement date	\$ 38,053	\$ 31,358	\$ 25,812

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Net OPEB Liability	Healthcare Trend Rate - 1%	Healthcare Trend Current Rate	Healthcare Trend Rate + 1%
June 30, 2018 measurement date	\$ 20,896	\$ 27,661	\$ 35,986
June 30, 2017 measurement date	\$ 25,264	\$ 31,358	\$ 38,841

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2019 and 2018, the District recognized an OPEB expense of \$2,949 and \$3,361 for the OPEB plan, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,139	\$ -
Net differences between projected and actual earnings on plan investments	-	(742)
Total	\$ 5,139	\$ (742)
June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 6,617	\$ -
Net differences between projected and actual earnings on plan investments	-	(713)
Total	\$ 6,617	\$ (713)

The \$501 reported as deferred outflows at June 30, 2019, relate to contributions made subsequent to the District's measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The \$5,139 and \$6,617 reported as deferred outflows of resources at June 30, 2019 and 2018, respectively, relates to contributions made subsequent to the District’s measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal years ended June 30, 2020 and 2019, respectively. The net difference between projected and actual earnings on plan investments will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Inflows of Resources
2019	\$ (230)
2020	(230)
2021	(231)
2022	(51)
Total	<u>\$ (742)</u>

Note 12 – Other Postemployment Benefits – MCP Bonus Program

A. General Information about the MCP Bonus Program

Plan Description - The MCP Bonus Program (the Program) is a single-employer plan, which provides a bonus to eligible employees in the Management/ Confidential/ Professional (MCP) group hired by the District before 2001. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided - The bonus is paid upon termination of the employee’s District employment, but only if one of the following conditions is satisfied: (1) the employee retires from service under CalPERS; (2) the termination is due to the employee’s death; or (3) upon terminating, the employee retires under CalPERS due to disability. The program is a deferred compensation arrangement subject to Internal Revenue Code sections 457(f) and 409A.

At retirement, members of the MCP group that were hired before July 1, 1994 are eligible for a retirement bonus calculated at the rate of 3 working days per each full 6 months of continuous service to the District. The bonus is based on the employee’s pay rate at the time of retirement. If an employee who is eligible for service retirement dies, his/her designated beneficiary will receive the employee’s retirement bonus. Employees hired on or after July 1, 1994, shall receive the retirement bonus based on the following: 2 days per year after 10 years of service; 4 days per year after 15 years of service; and 6 days per year after 20 years of service. On January 1, 2001, the District closed the MCP bonus program to new participants. Employees hired or promoted to MCP classifications prior to December 31, 2000 are still eligible for the MCP bonus. At June 30, 2019 and 2018, the District had 15 and 16 eligible members, respectively, in this closed program.

Contributions - The District makes contributions on a pay-as-you-go basis, funding the full amount of the bonus to the employee upon termination of employment with the District. For the fiscal year ended June 30, 2019 and June 30, 2018, the District contributed \$501 and \$0, respectively. District employees are not required to contribute to the plan.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)

B. Net OPEB Liability for the MCP Bonus Program

The District's total OPEB liability for the Program is measured as the total OPEB liability, less the Program's fiduciary net position. The Program's net OPEB liability is measured as of June 30, 2018 and 2017 (measurement date), using an annual actuarial valuation of June 30, 2017 and 2016. A summary of principal assumptions and methods used to determine the net OPEB liability for the Program is as follows:

Actuarial Assumptions - The total OPEB liability for the Program was determined using the following actuarial assumptions:

	2019	2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Assumptions:		
Discount Rate	3.87%	3.58%
Inflation	2.75%	2.75%
Salary Increases	Aggregate: 3.00%	Aggregate: 3.00%
	Merit: CalPERS 1997-2015 experience study	Merit: CalPERS 1997-2015 experience study
	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Mortality*		

* The probabilities of mortality are based on the CalPERS Experience Study for the period from 1997 to 2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2017.

Discount Rate - The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the CalPERS actuarial experience study for the period of 1997-2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2018.

C. Changes in the Net OPEB Liability for the MCP Bonus Program

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2019.

	Net OPEB Liability
Balance at July 1, 2018	\$ 1,505
Changes in the year:	
Service cost	50
Interest on the total OPEB liability	56
Changes in assumptions	(13)
Benefit payments	-
Net changes	<u>93</u>
Balance at June 30, 2019	<u>\$ 1,598</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)

C. Changes in the Net OPEB Liability for the MCP Bonus Program (Continued)

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2018.

	Net OPEB Liability
Balance at July 1, 2017	\$ 1,698
Changes in the year:	
Service cost	54
Interest on the total OPEB liability	46
Changes in assumptions	(38)
Benefit payments	(255)
Net changes	(193)
Balance at June 30, 2018	\$ 1,505

Change of assumptions reflect a change in the discount rate from 3.58% in 2018 to 3.87% in 2019.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District as of June 30, 2018 and 2017 measurement dates, calculated the discount rate of 3.87 and 3.58 percent, respectively. As well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate at the measurement date:

	Discount Rate - 1% 2.87%	Current Discount 3.87%	Discount Rate + 1% 4.87%
Net OPEB Liability			
June 30, 2018 measurement date	\$ 1,644	\$ 1,598	\$ 1,552
	Discount Rate - 1% 2.58%	Current Discount 3.58%	Discount Rate + 1% 4.58%
Net OPEB Liability			
June 30, 2017 measurement date	\$ 1,557	\$ 1,505	\$ 1,454

The total OPEB liability of the Program is not dependent on healthcare trend.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)

D. MCP Bonus Program OPEB Expense and Deferred Outflows/Inflows of Resources

For the fiscal years ended June 30, 2019 and 2018, the District recognized an OPEB expense of \$98 and \$94, respectively, for the OPEB plan. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (37)
OPEB contributions subsequent to measurement date	\$ 501	\$ -
Total	\$ 501	\$ (37)
June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (32)
Total	\$ -	\$ (32)

The \$501 reported as deferred outflows at June 30, 2019, relate to contributions made subsequent to the District's measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020.

The changes in assumption reported as deferred inflows of resources related to the Program will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Inflows of Resources
2019	\$ (8)
2020	(8)
2021	(8)
2022	(8)
2023	(4)
Thereafter	(1)
Total	\$ (37)

Note 13 – Litigation

In the normal course of business, the District is a defendant in various lawsuits. Defense of the lawsuits is being handled by the District's insurance carriers and most losses are expected to be covered by insurance. The District does not have any outstanding claims, which are covered by insurance, that have a deductible amount. There are a few cases currently in progress for which the potential losses would not be covered by the District's insurance provisions. However, the existence of such losses and possible ranges of exposure are not determinable for these cases at this time.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2019 and 2018
(Dollars in thousands)

Note 14 – Prior Period Adjustment

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addresses the accounting and financial reporting requirements for governments whose employees are provided with Other Postemployment Benefits (OPEB) plans. The provisions of GASB Statement No. 75 separate accounting and financial reporting from how OPEB plans are funded and required changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total OPEB liability. It also includes comprehensive footnote disclosure regarding the OPEB liability, the sensitivity of the OPEB liability to the discount rate, and OPEB expense and related deferred outflows/inflows of resources disclosures (see Notes 11 and 12). As of July 1, 2017, the District restated the beginning net position in the amount of \$30,440 to record the beginning deferred OPEB contributions and net OPEB liability.

Note 15 – Subsequent Events

None.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Changes in Net Pension Liability and Related Ratios
Five Year Trend Information *
(Dollars in thousands)

Defined Benefit Plan

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 4,994	\$ 4,965	\$ 4,373	\$ 4,405	\$ 4,362
Interest on total pension liability	17,594	17,393	16,868	16,216	15,453
Changes in assumptions	(8,036)	14,961	-	(4,141)	-
Differences between expected and actual experience	(263)	(3,129)	(2,173)	(377)	-
Benefit payments, including refunds of employee contributions	(11,608)	(10,939)	(10,267)	(9,527)	(9,246)
Net change in total pension liability	2,681	23,251	8,801	6,576	10,569
Total pension liability - beginning	257,678	234,427	225,626	219,050	208,481
Total pension liability - ending	\$ 260,359	\$ 257,678	\$ 234,427	\$ 225,626	\$ 219,050
Plan fiduciary net position					
Contributions - Employer	\$ 10,882	\$ 7,130	\$ 6,518	\$ 6,023	\$ 5,747
Contributions - Employee	2,142	2,009	1,938	1,955	2,587
Net investment income	14,754	17,349	837	3,485	23,005
Benefit payments, including refunds of employee contributions	(11,608)	(10,939)	(10,267)	(9,527)	(9,246)
Administrative expense	(266)	(229)	(95)	(176)	-
Other miscellaneous expense	(504)	-	-	-	-
Net change in plan fiduciary net position	15,400	15,320	(1,069)	1,760	22,093
Plan fiduciary net position - beginning	170,425	155,105	156,174	154,414	132,321
Plan fiduciary net position - ending	\$ 185,825	\$ 170,425	\$ 155,105	\$ 156,174	\$ 154,414
Plan net pension liability - ending	\$ 74,534	\$ 87,253	\$ 79,322	\$ 69,452	\$ 64,636
Plan fiduciary net position as a percentage of the total pension liability	71.37%	66.14%	66.16%	69.22%	70.49%
Covered payroll	\$ 25,856	\$ 24,682	\$ 24,306	\$ 24,347	\$ 22,948
Plan net pension liability as a percentage of covered payroll	288.27%	353.51%	326.35%	285.26%	281.66%

Notes to Schedule:

Benefit changes – The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions – In 2019, demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2018, the discount rate changed from 7.65 percent (net of administrative expense) in 2016 and 2017 to 7.15 percent. The rate in 2015 was 7.50 percent.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, which utilized the measurement period ended June 30, 2014. Therefore, only five years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Employer Pension Contributions
Six Year Trend Information*
(Dollars in thousands)

Defined Benefit Plan

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 8,052	\$ 7,752	\$ 7,130	\$ 6,526	\$ 6,213	\$ 5,793
Contributions in relation to the actuarially determined contribution	(8,052)	(7,752)	(7,130)	(6,526)	(6,213)	(5,793)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 27,080	\$ 25,876	\$ 24,682	\$ 24,306	\$ 24,347	\$ 22,948
Contributions as a percentage of covered payroll	29.735%	29.959%	28.888%	26.850%	25.519%	25.244%
Actuarially determined contribution for fiscal year	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2013
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset valuation method	15 year smoothed market	15 year smoothed market	15 year smoothed market	15 year smoothed market	15 year smoothed market	15 year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	3.20% to 12.20% depending on Age, Service, and Type of Employment	3.20% to 12.20% depending on Age, Service, and Type of Employment	3.20% to 12.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment rate of return	7.375%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include annual projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include annual projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, which utilized the measurement period ended June 30, 2014. Therefore, only five years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Changes in Net OPEB Liability and Related Ratios
Two Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – Retiree Health Care

	2019	2018
Total OPEB liability		
Service cost	\$ 1,393	\$ 1,353
Interest on total OPEB liability	3,506	3,361
Benefit payments, including refunds of employee contributions	(2,633)	(2,581)
Net change in total OPEB liability	2,266	2,133
Total OPEB liability - beginning	51,861	49,728
Total OPEB liability - ending	\$ 54,127	\$ 51,861
Plan fiduciary net position		
Contributions - Employer	\$ 6,617	\$ 4,319
Net investment income	2,020	2,077
Benefit payments, including refunds of employee contributions	(2,633)	(2,581)
Administrative expense	(41)	(11)
Net change in plan fiduciary net position	5,963	3,804
Plan fiduciary net position - beginning	20,503	16,699
Plan fiduciary net position - ending	\$ 26,466	\$ 20,503
Plan net OPEB liability - ending	\$ 27,661	\$ 31,358
Plan fiduciary net position as a percentage of the total OPEB liability	48.90%	39.53%
Covered-employee payroll	\$ 32,481	\$ 32,825
Plan net OPEB liability as a percentage of covered-employee payroll	85.16%	95.53%

Notes to Schedule:

Benefit changes – The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the measurement dates.

Changes in assumptions – There were no changes in assumptions

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only two years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – MCP Bonus Program

	2019	2018
Total OPEB liability		
Service cost	\$ 50	\$ 54
Interest on total OPEB liability	56	46
Changes in assumptions	(13)	(38)
Benefit payments, including refunds of employee contributions	-	(255)
Net change in total OPEB liability	93	(193)
Total OPEB liability - beginning	1,505	1,698
Total OPEB liability - ending	\$ 1,598	\$ 1,505
Covered-employee payroll	\$ 3,269	\$ 3,335
Plan net OPEB liability as a percentage of covered-employee payroll	48.88%	45.13%

Notes to Schedule:

Changes in assumptions – The change in assumptions reflect the effects of changes in the discount rate from 3.58 percent in 2018 to 3.87 percent in 2019. The discount rate changed from 2.85 percent in 2017 to 3.58 percent in 2018.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only two years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Employer OPEB Contributions
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – Retiree Health Care

	2019	2018	2017
Actuarially determined contribution	\$ 3,503	\$ 4,101	\$ 3,972
Contributions in relation to the actuarially determined contribution	(5,139)	(6,617)	(4,319)
Contribution deficiency (excess)	<u>\$ (1,636)</u>	<u>\$ (2,516)</u>	<u>\$ (347)</u>
Covered-employee payroll	\$ 36,032	\$ 32,481	\$ 23,688
Contributions as a percentage of covered-employee payroll	14.263%	20.373%	18.234%
Actuarially determined contribution for fiscal year	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date:	June 30, 2017	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset valuation method	15 year smoothed market	20 year fixed period	20 year fixed period
Discount rate	6.75%	7.25%	7.25%
Inflation	2.75%	3.00%	3.00%
Payroll increases	Aggregate increases of 3.00%	Aggregate increases of 3.25%	Aggregate increases of 3.25%
Mortality	Based on CalPERS 1997-2015 experience study	Based on CalPERS 1997-2011 experience study	Based on CalPERS 1997-2011 experience study
Mortality improvement	Post-retirement mortality improvement Scale MP-2017	Mortality projected fully generational with Scale MP-14 with 15 year convergence in 2022	Mortality projected fully generational with Scale MP-14 with 15 year convergence in 2022

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only two years of information is shown..

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – MCP Bonus Program

	2019	2018
Actuarially determined contribution	\$ 501	\$ -
Contributions in relation to the actuarially determined contribution	(501)	-
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 3,269	\$ 3,335
Contributions as a percentage of covered-employee payroll	15.327%	0.00%

Contributions: The annual required contributions (ARC) are calculated on a pay-as-you-go basis up on the retirement date of the eligible employee. The District funds the full amount of the bonus to the employee upon termination of employment with the District.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only two years of information is shown.

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the Alameda County Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends

70

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

77

These schedules contain information to help the reader assess the District's most significant local revenues source, the water revenues. Also included in this section is information on the District's second significant source of local revenues, the property tax.

Debt Capacity

82

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

85

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

87

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Alameda County Water District
Table 1
Ten Year Summary of Revenues, Expenses and Rate Increases (Unaudited)
(in thousands)

	2009/10	2010/11	2011/12	2012/13	2013/14
OPERATING REVENUES:					
Water Sales	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081
Facilities Connection Charges	1,768	1,892	2,118	1,977	3,494
Other Revenue	1,737	1,559	1,662	1,914	2,109
TOTAL OPERATING REVENUES	<u>60,249</u>	<u>66,047</u>	<u>73,878</u>	<u>80,794</u>	<u>86,684</u>
OPERATING EXPENSES:					
Source of Supply:					
Water Purchases	14,128	14,402	18,747	21,367	23,427
Pumping	2,592	3,116	3,338	2,954	2,763
Other	7,511	8,819	8,875	8,828	10,215
Water Treatment	11,297	12,464	12,119	12,586	12,584
Transmission and Distribution	11,997	11,343	10,953	10,650	10,934
Administration of Customer Accounts	1,252	1,507	1,390	1,680	1,832
Administration and General	8,335	6,172	9,679	11,965	13,090
Depreciation and Amortization	10,942	12,462	12,262	12,845	12,624
TOTAL OPERATING EXPENSES	<u>68,054</u>	<u>70,285</u>	<u>77,363</u>	<u>82,875</u>	<u>87,469</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Income	2,448	1,416	672	(46)	1,217
Property Taxes	7,479	7,256	7,936	7,917	7,654
Other Revenues (1)	10,934	450	215	68	47
Other Expenses/Loss on Disposal	(2,373)	(2,060)	(3,879)	(2,133)	(1,624)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>18,488</u>	<u>7,062</u>	<u>4,944</u>	<u>5,806</u>	<u>7,294</u>
Capital Contributions	<u>5,491</u>	<u>3,677</u>	<u>2,849</u>	<u>5,529</u>	<u>2,767</u>
Increase in Net Position	<u>\$ 16,174</u>	<u>\$ 6,501</u>	<u>\$ 4,308</u>	<u>\$ 9,254</u>	<u>\$ 9,276</u>
% Water Rate Increase (of latter FY)	8.80	8.00	8.00*	17.1*	7.00
Number of Employees (2)	219	226	225	229	238

(1) LAVWMA termination of 1998 MOU Agreement and Polybutylene Settlement in FY 2009/10.

(2) Employees as of June 30, 2019.

Source: Alameda County Water District Finance Department

*Average residential customer increase (represents blended commodity and service charge adjustments and applicable surcharges). Refer to Table 8 - Historical Water Rates.

Alameda County Water District
Table 1 (Continued)
Ten Year Summary of Revenues, Expenses and Rate Increases (Unaudited)
(in thousands)

	2014/15	2015/16	2016/17	2017/18	2018/19
OPERATING REVENUES:					
Water Sales	\$ 80,135	\$ 81,776	\$ 86,263	\$ 104,447	\$ 108,576
Facilities Connection Charges	1,920	5,186	11,467	10,428	11,359
Other Revenue	749	840	1,099	736	652
TOTAL OPERATING REVENUES	<u>82,804</u>	<u>87,802</u>	<u>98,829</u>	<u>115,611</u>	<u>120,587</u>
OPERATING EXPENSES:					
Source of Supply:					
Water Purchases	23,659	24,659	23,833	25,559	26,219
Pumping	1,876	1,588	1,389	1,266	1,600
Other	8,189	8,304	8,861	8,615	8,693
Water Treatment	15,646	13,884	14,369	14,885	15,366
Transmission and Distribution	13,552	15,365	15,905	16,223	16,427
Administration of Customer Accounts	1,793	1,473	1,503	1,454	1,895
Administration and General	10,551	11,063	11,988	15,817	13,276
Depreciation and Amortization	13,417	13,974	14,479	13,950	14,060
TOTAL OPERATING EXPENSES	<u>88,683</u>	<u>90,310</u>	<u>92,327</u>	<u>97,769</u>	<u>97,536</u>
Investment Income	1,098	2,521	145	179	7,367
Property Taxes	9,547	9,295	10,472	11,289	9,746
Other Revenues (1)	11	310	1,038	413	660
Other Expenses/Loss on Disposal	(2,682)	(2,311)	(2,512)	(2,725)	(2,520)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>7,974</u>	<u>9,815</u>	<u>9,143</u>	<u>9,156</u>	<u>15,253</u>
Capital Contributions	<u>3,023</u>	<u>5,194</u>	<u>4,112</u>	<u>4,089</u>	<u>8,313</u>
Increase in Net Position	<u>\$ 5,118</u>	<u>\$ 12,501</u>	<u>\$ 19,757</u>	<u>\$ 31,087</u>	<u>\$ 46,617</u>
% Water Rate Increase (of latter FY)	8.00*	-	10.4*	5.00	4.00
Number of Employees (2)	230	230	230	230	233

(1) LAVWMA termination of 1998 MOU Agreement and Polybutylene Settlement in FY 2009/10.

(2) Employees as of June 30, 2019.

Source: Alameda County Water District Finance Department

*Average residential customer increase (represents blended commodity and service charge adjustments and applicable surcharges). Refer to Table 8 - Historical Water Rates.

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Alameda County Water District
Table 2
Ten Year Summary of Connection Fees (Unaudited)
(in thousands)

Fiscal Year Ending June 30	Connection Fees (000's)
2010	\$ 1,768
2011	1,892
2012	2,118
2013	1,977
2014	3,494
2015	1,920
2016	5,186
2017	11,467
2018	10,428
2019	11,359

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 3
Ten Year Summary of Net Position (Unaudited)
(in thousands)

	2009/10	2010/11 ⁽¹⁾	2011/12 ⁽¹⁾	2012/13	2013/14
NET POSITION:					
Net investment in capital assets	\$ 292,179	\$ 298,301	\$ 304,983	\$ 310,757	\$ 325,497
Restricted for debt service	2,515	2,436	2,639	2,656	2,669
Unrestricted	103,149	101,334	98,757	102,220	96,743
TOTAL	<u>\$ 397,843</u>	<u>\$ 402,071</u>	<u>\$ 406,379</u>	<u>\$ 415,633</u>	<u>\$ 424,909</u>

Note: ⁽¹⁾ The District restated its 2010/11 and 2011/12 net position balances to record its obligation related to the Management, Confidential and Professional Bonus Program and the impact of the GASB Statement No. 65 implementation.

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 3 (Continued)
Ten Year Summary of Net Position (Unaudited)
(in thousands)

	2014/15 ⁽²⁾	2015/16	2016/17	2017/18 ⁽³⁾	2018/19
NET POSITION:					
Net investment in capital assets	\$ 329,084	\$ 325,051	\$ 324,383	\$ 333,274	\$ 346,877
Restricted for debt service	2,585	2,688	2,623	2,628	2,721
Unrestricted	27,945	44,376	64,866	56,617	89,538
TOTAL	<u>\$ 359,614</u>	<u>\$ 372,115</u>	<u>\$ 391,872</u>	<u>\$ 392,519</u>	<u>\$ 439,136</u>

Note: ⁽²⁾ The District restated its 2014/15 net position balances to record the impact of the implementation of GASB Statement No. 68.

⁽³⁾ The District restated its 2017/18 net position balances to record the impact of the implementation of GASB Statement No. 75.

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 4
Ten Year Summary of Property Tax Levies/Collections (Unaudited)
(in thousands)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Levies:										
1% Tax Allocation	\$ 3,541	\$ 3,537	\$ 3,500	\$ 3,569	\$ 3,769	\$ 4,034	\$ 4,611	\$ 5,007	\$ 5,372	\$ 5,763
State Water Contract Tax	2,595	2,803	3,010	3,189	3,194	4,717	4,271	4,884	5,373	3,502
Total	\$ 6,136	\$ 6,340	\$ 6,510	\$ 6,758	\$ 6,963	\$ 8,751	\$ 8,882	\$ 9,891	\$10,745	\$ 9,264
Collections*:										
Collections in the First Period	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$10,332	\$10,630	\$10,080
Collection in the First Period Percentage of Levies (%)	101%	113%	128%	119%	121%	109%	105%	104%	99%	109%
Total Collections	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$10,332	\$10,630	\$10,080
Total Collections Percentage of Levies	101%	113%	128%	119%	121%	109%	105%	104%	99%	109%

Source: Alameda County Water District Finance Department

*Collections during the fiscal year include interest, penalties and collections from taxes levied in prior years.

Alameda County Water District
Table 5
Ten Year Summary of Assessed Valuation (Unaudited)
(in thousands)

Fiscal Year	Local Secured	Utility	Unsecured	Total
2009/10	43,825,950	5,620	3,047,425	46,878,995
2010/11	43,522,656	5,755	3,093,752	46,622,164
2011/12	43,072,743	5,755	2,975,251	46,053,748
2012/13	43,846,946	70,042	3,053,241	46,970,229
2013/14	46,275,494	61,871	2,950,912	49,288,277
2014/15	49,570,672	54,995	3,040,221	52,665,889
2015/16	53,069,367	54,995	3,583,125	56,707,487
2016 /17	58,389,837	6,180	3,137,408	61,533,425
2017 /18	62,474,273	12,332	3,373,572	65,860,178
2018/19	67,212,187	12,332	3,346,586	70,571,105

Source: California Municipal Statistics, Inc. and Alameda County Auditor-Controller's Office.

Total may not add up due to rounding.

Alameda County Water District
Table 6
Ten Year Summary of Secured Tax Charges and Delinquencies (Unaudited)
(in thousands)

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	Percent Delinquent June 30
2009/10	\$ 2,544	\$ 64	251%
2010/11	2,771	56	2.01
2011/12	3,180	59	1.87
2012/13	3,048	29	0.95
2013/14	3,071	22	0.72
2014/15	4,642	35	0.76
2015/16	4,012	33	0.82
2016/17	5,151	29	0.57
2017/18	5,609	24	0.42
2018/19	5,409	48	0.89

(1) The figures above include only information provided by the County, which is the State Water Project override “debt service” levy.

Source: Alameda County Auditor-Controller

Alameda County Water District

Table 7

Ten Year Summary of Schedule of Base Water Rates-BiMonthly Readings and Billings (Unaudited)

	Eff. 2/1 2010	Eff. 3/1 2011	Eff. 2/1 2012	Eff. 2/1 2013	Eff. 2/1 2014	Eff. 5/1 2015	Eff. 4/1 2016	Eff. 3/1 2017	Eff. 3/1 2018	Eff. 3/1 2019
COMMODITY CHARGE/HCF:										
Inside District	\$ 2.754	\$ 2.974	\$ 3.152	\$ 3.152	\$ 3.373	\$ 3.373	\$ 3.373	\$ 4.047	\$ 4.249	\$ 4.419
Outside District	3.166	3.419	3.624	3.624	3.878	3.878	3.878	4.653	4.885	\$ 5.081
San Francisco	2.918	3.242	3.673	-*	-	-	-	-	-	-
BIMONTHLY METER SERVICE CHARGE:										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 11.62	\$ 12.55	\$ 14.93	\$ 29.86	\$ 31.95	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33	\$ 54.43
1	16.66	17.99	21.41	42.82	45.82	64.05	64.05	76.86	80.70	83.93
1-1/2	29.43	31.78	37.82	75.64	80.93	120.32	120.32	144.38	151.59	157.66
2	42.20	45.58	54.24	108.48	116.07	187.84	187.84	225.40	236.67	246.14
3	160.03	172.83	205.67	411.34	440.13	401.66	401.66	481.99	506.08	526.33
4	231.78	250.32	297.88	595.76	637.46	716.76	716.76	860.11	903.11	939.24
6	559.46	604.22	719.02	1,438.04	1,538.70	1,808.37	1,808.37	2,170.04	2,278.54	2,369.69
8	819.21	884.75	1,052.85	2,105.70	2,253.10	3,158.81	3,158.81	3,790.57	3,980.09	4,139.30
10	1,464.03	1,581.15	1,881.57	3,763.14	4,026.56	4,734.31	4,734.31	5,681.17	5,965.22	6,203.83
Outside District Water Service										
5/8" & 3/4 " or less	\$ 13.36	\$ 14.43	\$ 17.17	\$ 34.34	\$ 36.74	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33	\$ 54.43
1	19.16	20.69	24.62	49.24	52.69	64.05	64.05	76.86	80.70	83.93
1-1/2	33.84	36.55	43.49	86.99	93.07	120.32	120.32	144.38	151.59	157.66
2	48.53	52.41	62.37	124.75	133.48	187.84	187.84	225.40	236.67	246.14
3	184.03	198.75	236.52	473.04	506.15	401.66	401.66	481.99	506.08	526.33
4	266.55	287.87	342.56	685.12	733.08	716.76	716.76	860.11	903.11	939.24
6	643.38	694.85	826.87	1,653.75	1,769.51	1,808.37	1,808.37	2,170.04	2,278.54	2,369.69
8	942.09	1,017.46	1,210.78	2,421.56	2,591.07	3,158.81	3,158.81	3,790.57	3,980.09	4,139.30
10	1,683.63	1,818.32	2,163.81	4,327.61	4,630.54	4,734.31	4,734.31	5,681.17	5,965.22	6,203.83
BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:										
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
6	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
8	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
10	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80
12	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60
16	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water District Finance

Note: * The District approved a 100% increase on bi-monthly meter service charge and stopped offering special rate for water purchased from San Francisco to customers effective February 1, 2013.

Alameda County Water District
Table 8
Historical Water Rates¹ (Unaudited)

Effective Date	Actual/Approved									
	3/1/2011	2/1/2012	2/1/2013	2/1/2014	7/21/2014	5/1/2015	4/1/2016	3/1/2017	3/1/2018	3/1/2019
Bi-monthly Commodity Charge	\$68.40	\$72.50	\$72.50	\$77.58	\$77.58	\$77.58	\$77.58	\$93.08	\$97.73	\$101.64
Bi-monthly Service Charge	12.55	14.93	29.86	31.95	31.95	41.54	41.54	49.84	52.33	54.43
Drought Surcharge	-	-	-	-	10.36	10.36	10.36	-	-	-
TOTAL	\$80.95	\$87.43	\$102.36	\$109.53	\$119.89	\$129.48	\$129.48	\$142.92	\$150.06	\$156.07

Note: ⁽¹⁾ For the average residential customer using 16 hundred cubic feet (HCF) bimonthly. Totals may not add up due to rounding.

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 9
Ten Year Summary of Ten Largest Distribution Water Revenue Account (Unaudited)
Ten Year History

(1=Highest to 10=Lowest)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	FY 2019 Water Revenues (000's)
City of Fremont	2	1	2	1	1	1	1	1	1	1	\$ 1,368
Fremont Unified School District	1	2	3	2	2	2	3	2	3	2	1,141
Tesla Motors, Inc.	-	-	-	-	7	3	2	3	2	3	1,139
Western Digital Technologies	5	3	1	4	4	5	4	5	5	4	639
Lam Research Corporation	-	-	-	-	-	-	-	9	8	5	582
City of Union City	6	5	6	6	5	6	6	6	6	6	576
Prologis Trust	3	4	4	3	3	4	5	4	4	7	567
Ardenwood Forest Apartments	-	10	-	8	8	9	8	7	7	8	488
Contempo Homeowners Association	7	7	8	7	6	7	7	8	9	9	487
City of Newark	-	-	-	10	-	-	10	10	-	10	429
New Haven School District	-	-	10	9	9	10	-	-	10	-	n/a
Equity Residential Properties Trust	8	-	-	-	-	-	-	-	-	-	n/a
Newark Unified School District	9	8	5	5	10	-	-	-	-	-	n/a
School for the Deaf	-	6	7	-	-	-	-	-	-	-	n/a
Seagate Magnetics	-	-	9	-	-	-	9	-	-	-	n/a
Cook Engineering Inc.	-	-	-	-	-	8	-	-	-	-	n/a
New United Motor Manufacturing, Inc.	4	-	-	-	-	-	-	-	-	-	n/a
Solyndra Inc.	10	9	-	-	-	-	-	-	-	-	n/a

Source: Alameda County Water District Finance Department

Alameda County Water District

Table 10

Ten Year Summary of Historical Net Revenues and Debt Service Coverage (Unaudited) (in thousands)

	2009/10	2010/11	2011/12	2012/13	2013/14
Revenues					
Water Sales	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081
Investment Income (1)	2,448	1,416	672	(46)	1,217
Property Taxes (2)	4,653	4,083	4,207	4,529	4,138
Facilities Connection Charges	1,768	1,892	2,118	1,977	3,494
Other Revenue (3)	1,738	1,559	1,877	1,982	2,156
Total Revenues	<u>67,351</u>	<u>71,546</u>	<u>78,972</u>	<u>85,345</u>	<u>92,086</u>
Maintenance and Operation Costs					
Pumping Power Costs	2,592	3,116	3,338	2,954	2,763
Other Operating Expenses	9,283	7,642	7,272	7,841	10,252
Labor Costs	31,069	32,571	35,744	37,868	38,403
Purchased Water (2)	11,302	11,229	15,018	17,979	19,911
Aquifer Reclamation Costs	40	92	-	-	-
Total Expenses	<u>54,286</u>	<u>54,650</u>	<u>61,372</u>	<u>66,642</u>	<u>71,329</u>
Net Revenues	<u>\$ 13,065</u>	<u>\$ 16,896</u>	<u>\$ 17,600</u>	<u>\$ 18,703</u>	<u>\$ 20,757</u>
Annual Debt Service on Revenue Certificates and Bond					
1998 Refunding Revenue Bonds	\$ -	\$ -	\$ -	\$ -	-
2003 Certificates of Participation	1,203	1,203	822	-	-
2009 Refunding Revenue Bonds	2,921	2,664	2,664	2,669	2,866
2012 Revenue Bonds	-	-	523	1,891	1,893
2015 Revenue Bonds	-	-	-	-	-
Total Debt Service	<u>\$ 4,124</u>	<u>\$ 3,867</u>	<u>\$ 4,009</u>	<u>\$ 4,560</u>	<u>\$ 4,759</u>
Ratio of Net Revenues to Annual Debt Service on Revenue Certificates					
	3.17x	4.37x	4.39x	4.10x	4.36x

Notes:

- (1) Investment loss in FY2012/13 due to one-time portfolio restructuring.
- (2) In accordance with the provisions of the 2015 Installment Purchase Contract, "Property Taxes" exclude the State Water Project property tax collected by the Water District, and the equal amount in expenses paid from such taxes.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

Source: Alameda County Water District Finance Department. Total may not add up due to rounding.

Alameda County Water District
Table 10 (Continued)
Ten Year Summary of Historical Net Revenues and Debt Service Coverage (Unaudited)
(in thousands)

	2014/15	2015/16	2016/17	2017/18	2018/19
Revenues					
Water Sales	\$ 80,135	\$ 81,776	\$ 86,263	\$ 104,447	\$ 108,576
Investment Income (1)	1,098	2,521	145	179	7,367
Property Taxes (2)	4,678	4,807	5,350	5,704	6,131
Facilities Connection Charges	1,920	5,186	11,467	10,428	11,359
Other Revenue (3)	759	978	1,993	1,101	1,275
Total Revenues	88,590	95,268	105,218	121,859	134,708
Maintenance and Operation Costs					
Pumping Power Costs	1,876	1,588	1,389	1,266	1,600
Other Operating Expenses	8,079	7,689	8,470	14,901	11,978
Labor Costs	41,255	42,401	44,156	46,098	48,052
Purchased Water (2)	19,187	19,906	19,190	21,554	21,846
Aquifer Reclamation Costs	-	-	-	-	-
Total Expenses	70,397	71,584	73,205	83,819	83,476
Net Revenues	\$ 18,193	\$ 23,684	\$ 32,013	\$ 38,040	\$ 51,232
Annual Debt Service on Revenue Certificates and Bond					
1998 Refunding Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	-	-	-	-	-
2009 Refunding Revenue Bonds	2,868	2,863	2,867	2,864	2,863
2012 Revenue Bonds	1,891	1,893	1,892	1,887	1,885
2015 Revenue Bonds	240	1,625	1,628	1,622	1,623
Total Debt Service	\$ 5,000	\$ 6,381	\$ 6,387	\$ 6,373	\$ 6,371

Ratio of Net Revenues to Annual

Debt Service on Revenue Certificates	3.64x	3.71x	5.01x	5.97x	8.04x
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Notes:

- (1) Investment loss in FY2012/13 due to one-time portfolio restructuring.
- (2) In accordance with the provisions of the 2015 Installment Purchase Contract, "Property Taxes" exclude the State Water Project property tax collected by the Water District, and the equal amount in expenses paid from such taxes.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

Source: Alameda County Water District Finance Department. Total may not add up due to rounding.

Alameda County Water District
Table 11
Ten Year Summary of Outstanding Debt (Unaudited)
(in thousands)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Certificates of Participation										
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28*	\$ 25,174	\$ 25,165	-	-	-	-	-	-	-	-
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	\$ 23,083	\$ 21,172	\$ 20,801	\$ 18,608	\$ 16,154	\$ 13,641	\$ 11,068	\$ 8,425	\$ 5,707	\$ 2,899
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	\$ 48,032	\$ 47,696	\$ 47,349	\$ 46,998	\$ 46,637	\$ 46,266	\$ 45,890	\$ 45,504
2015 Revenue Bonds 4.0% - 5.0% Maturity: FY 2044-45	-	-	-	-	-	\$ 30,521	\$ 29,975	\$ 29,404	\$ 28,813	\$ 28,197
Total	\$ 48,257	\$ 46,337	\$ 20,801	\$ 66,304	\$ 63,503	\$ 91,160	\$ 87,680	\$ 84,095	\$ 80,410	\$ 76,600
Total Outstanding Debt to										
Personal Income (1)	73.58%	66.33%	61.04%	80.96%	80.96%	N/A	N/A	N/A	N/A	N/A
Total Debt Per Capita	\$ 144.48	\$ 142.14	\$ 63.42	\$ 200.31	\$ 189.56	\$ 268.12	\$ 254.88	\$ 242.35	\$ 227.79	\$ 217.00

* 2003 Revenue COP's were refunded by the 2012 Revenue Bonds.

Sources: Alameda County Water District Finance Department

(1) U.S. Department of Commerce, Bureau of Economic Analysis. Most recent data is for 2013.

Alameda County Water District
Table 12
Largest Employers Within the District (Unaudited)
Comparison with Ten Years Ago

CITY OF FREMONT ⁽¹⁾					
2018 *			2009		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Tesla Motors, Inc.	1000-6000	3.17 %	New United Motor Manufacturing	4,700	4.27 %
Fremont Unified School District	2,950	2.67	Washington Hospital	2,400	2.18
Washington Hospital	1000-5000	2.72	Fremont Unified School District	1,672	1.52
Lam Research Corporation	1000-5000	2.72	Boston Scientific/Target Therapeutics, Inc.	1,200	1.09
Western Digital	1000-5000	2.72	Seagate Magnetics	1,060	0.96
Seagate Magnetics	1000-5000	2.72	Western Digital	1,000	0.91
Kaiser Permanente	500-999	0.68	AXT Incorporated	972	0.88
City of Fremont	922	0.84	Lam Research Corporation	920	0.84
Thermo Fisher Scientific	500-999	0.68	City of Fremont	920	0.84
Synnex Information Tech Inc.	500-999	0.66	Oplink and Office Depot	900	0.82
Total City Employment	<u>116,946</u>		Total City Employment	<u>101,190</u>	

CITY OF UNION CITY ⁽²⁾					
2018 *			2009		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
New Haven Unified School District	1,196	3.19 %	New Haven School District	1,154	3.70 %
Southern Glazier's Wine & Spirits	750	2.00	Southern Wine & Spirits	725	2.32
Wal-Mart	535	1.43	Wal-Mart	580	1.86
Masonic Home For Adults	499	1.33	San Francisco Chronicle	425	1.36
Abaxis Inc	400	1.07	City of Union City	353	1.13
Mizuho OSI, Inc.	400	1.07	Aldworth Company	345	1.11
Sterling Foods	360	0.96	Dreyer's Grand Ice Cream	295	0.95
City of Union City	313	0.83	Masonic Homes	294	0.94
Emerald Packaging	248	0.66	Caravan Trading Company	292	0.94
American Licorice	239	0.64	American Licorice	260	0.83
Total City Employment	<u>37,500</u>		Total City Employment	<u>31,200</u>	

CITY OF NEWARK ⁽³⁾					
2018 *			2011		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	904	3.70 %	Newark Unified School District	700	3.44 %
Logitech	591	2.42	WorldPac	280	1.37
Risk Management Solutions	303	1.24	Aryzta, LLC (formerly Fullbloom Baking)	280	1.37
VM Services, Inc.	265	1.09	Risk Management Solutions	270	1.33
WorldPac	218	0.89	Smart Modular Technologies	249	1.22
Smart Modular Technologies	212	0.87	City of Newark	193	0.95
Cargill Salt	210	0.86	Cargill Salt	182	0.89
Amazon Fulfillment Center	200	0.82	Valassis (formerly ADVO)	166	0.81
Aryzta, LLC (formerly Fullbloom Baking)	170	0.70	Staples (formerly Corporate Express)	154	0.76
Valassis Direct Mail Inc (formerly ADVO)	152	0.62	Home Depot	129	0.63
Total City Employment	<u>24,400</u>		Total City Employment	<u>20,377</u>	

Note: * Number of Employees and Percent of Total Employment unavailable for 2019.

** City of Newark ten year comparison was not available. The city only provided data for the last seven years.

Source: (1) Year 2018 - City of Fremont, CAFR FY 2017/18; U.S. Dept of Labor, Bureau of Labor Statistics

(2) City of Union City, CAFR FY 2017/18

(3) City of Newark, CAFR FY 2017/18

Alameda County Water District
Table 13
Ten Year Summary of Demographic and Economics Statistics (Unaudited)
(in thousands)

Calendar Year	Population As of 1/1 (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2009	334	72	48	8.5
2010	326	73	48	9.0
2011	328	76	50	8.3
2012	331	85	55	7.2
2013	335	87	55	5.9
2014	340	91	56	4.8
2015	344	101	62	3.9
2016	347	109	66	3.5
2017	353	119	71	3.5
2018	352	N/A*	N/A*	2.7

* Personal income and per capita personal income shown are for Alameda County.

Data for Alameda County Water District's service area is not available.

Sources: (1) State of California, Department of Finance

(2) U.S. Department of Commerce, Bureau of Economic Analysis

(3) U.S. Department of Labor, Bureau of Labor Statistics

Alameda County Water District
Table 14
Ten Years Summary of Property, Plant & Equipment (Unaudited)
(in thousands)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
UTILITY PLANT:										
Land	\$ 9,725	\$ 9,725	\$ 9,727	\$ 9,727	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610
Source of Supply	50,116	50,125	51,092	51,092	57,782	64,229	68,993	68,050	68,404	81,563
Pumping Plant	19,647	20,191	21,324	21,469	24,152	24,217	24,549	24,983	25,130	25,353
Water Treatment	138,112	151,445	152,302	152,296	157,393	160,238	160,610	160,735	161,192	166,153
Transmission and Distribution	235,460	244,864	253,908	262,957	275,001	300,836	320,721	329,208	337,274	347,969
General	35,909	37,234	46,075	48,114	48,172	49,684	50,836	52,005	52,682	52,910
Construction in Progress	21,570	12,265	10,282	21,612	31,930	18,938	16,320	19,793	29,305	23,982
	510,539	525,849	544,710	567,267	604,040	627,752	651,639	664,384	683,597	707,540
Less Accumulated Depreciation	189,258	199,863	211,110	223,098	231,715	244,254	257,356	269,759	282,826	306,104
NET UTILITY PLANT	# \$ 321,281	\$ 325,986	\$ 333,600	\$ 344,169	\$ 372,325	\$ 383,498	\$ 394,283	\$ 394,625	\$ 400,771	\$ 401,436

Note:

Land: District owned land including easements and rights of way.

Source of Supply: covers all costs of plant used in connection with the source of water supply.

Pumping Plant: covers all costs of plant and equipment in connection with pumping operations.

Water Treatment: covers all costs of plant and equipment used in connection with water treatment operations.

Transmission and Distribution: includes all costs of plant and equipment used in connection with the transmission and distribution of water such as reservoirs, pipelines, meters and fire hydrants.

General: includes all costs of general plant and equipment used for general water utility purposes.

Construction in Progress: includes all costs incurred during construction for capital projects not yet completed or placed in service.

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 15
Ten Year Summary of Water Demand (Unaudited)

<u>Fiscal Year</u>	<u>Million Gallons Per Day (MGD)</u>
2009/10	38.43
2010/11	38.52
2011/12	39.23
2012/13	41.68
2013/14	40.52
2014/15	31.94
2015/16	28.47
2016/17	32.55
2017/18	33.96
2018/19	33.48

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 16
Ten Year Summary of Metered Accounts (Unaudited)

Fiscal Year Ended June 30	Number of Meters
2010	80,206
2011	80,484
2012	81,005
2013	81,432
2014	81,700
2015	82,049
2016	82,492
2017	83,398
2018	84,255
2019	85,108

Source: Alameda County Water District Finance Department

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